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Report of the International Civil Service Commission for 2004

Volume I

General Assembly
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Fifty-ninth Session
Supplement No. 30 (A/59/30 (Vol. I))

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Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

The present volume contains discussion of items considered by the International Civil Service Commission in 2004, at its fifty-eighth and fifty-ninth sessions, and traditionally reported on to the General Assembly, with the exception of the report of the panel on the strengthening of the international civil service, which is covered in volume II.

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Abbreviations

CCISUA	Coordinating Committee for International Staff Unions and Associations of the United Nations System
CEB	United Nations System Chief Executives Board for Coordination
CEB/HLCM	Chief Executives Board for Coordination/High-level Committee on Management
FAO	Food and Agriculture Organization of the United Nations
FICSA	Federation of International Civil Servants' Associations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICSC	International Civil Service Commission
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMO	International Maritime Organization
ITU	International Telecommunication Union
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Tourism Organization

Glossary of technical terms

Base/floor salary scale	For the Professional and higher categories of staff, a universally applicable salary scale is used in conjunction with the post adjustment system. The minimum net amounts received by staff members around the world are those given in this scale.
Bias	Generally, an effect which deprives a statistical result of representativeness by systematically distorting it, as distinct from a random error which may distort on any one occasion but balances out on the average.
Broadbanding	A method of providing greater flexibility to reward individual performance and contribution. The term describes the action of combining and replacing several classification levels by a single, broader classification level (called a "band"). A broadbanded system is characterized by a limited number of wider bands or ranges and a bigger salary overlap between bands. Under the pay and benefits reform, the test of broadbanding in the pilot study is limited to the banding of salary levels.
Comparator	Salaries and other conditions of employment of staff in the Professional and higher categories are determined in accordance with the Noblemaire principle by reference to those applicable in the civil service of the country with the highest pay levels. The United States federal civil service has been used as the comparator since the inception of the United Nations. See also "highest paid civil service" and "Noblemaire principle".
Competencies	A combination of skills, attributes and behaviours that are directly related to successful performance on the job. Core competencies are the skills, attributes and behaviours which are considered important for all staff of an organization, regardless of their function or level. For specific occupations, core competencies are supplemented by functional competencies related to respective areas of work.
Competency-related pay	A generic concept of paying employees for the development and application of essential skills, behaviours and actions which support high levels of individual, team and organizational performance (see also "performance-related pay").
Consolidation of post adjustment	The base/floor salary scale for the Professional and higher categories is adjusted periodically to reflect increases in the comparator salary scale. This upward adjustment is made by taking a fixed amount of post adjustment and incorporating or "consolidating" it into the base/floor salary scale. If the scale is increased by consolidating 5 per cent of post adjustment, the post adjustment classifications at all duty stations are then reduced by 5 per cent, thus ensuring, generally, no losses or gains to staff.
Cost-of-living differential	In net remuneration margin calculations, the remuneration of United Nations officials from the Professional and higher categories in New York is compared with their counterparts in the comparator service in Washington, D.C. As part of that comparison, the difference in cost of living between New York and Washington is applied to the comparator salaries to determine their "real value" in New York. The cost-of-living differential between New York and Washington is also taken into account in

	comparing pensionable remuneration amounts applicable to the two groups of staff mentioned above.
Dependency rate salaries	Net salaries determined for staff with a primary dependant.
Employment cost index (ECI)	Under the Federal Employees' Pay Comparability Act (FEPCA) (see below), a wage index that measures the percentage change in the average non-federal sector payroll costs between two points in time is calculated. The index, known as ECI, is based on the measurement of payroll costs across the United States. ECI is used as the basis for an across-the-board adjustment to salaries of United States federal civil service employees. Under FEPCA, United States federal civil servants can also receive a locality-based adjustment.
Federal Employees' Pay Comparability Act	The Federal Employees' Pay Comparability Act (FEPCA) (1990), passed by the United States Congress, whereby the pay of federal civil service employees would be brought to within 5 per cent of non-federal-sector comparator pay over a period of time.
Flemming principle	The basis used for the determination of conditions of service of the General Service and other locally recruited categories of staff. Under the application of the Flemming principle, General Service conditions of employment are based on best prevailing local conditions.
General Schedule	A 15-grade salary scale in the comparator (United States) civil service, covering the majority of employees.
"H" duty stations under the mobility and hardship scheme	Headquarters locations and locations where there are no United Nations developmental or humanitarian activities or locations which are in countries which are members of the European Union.
Headquarters locations	Headquarters of the organizations participating in the United Nations common system are: Geneva, London, Madrid, Montreal, New York, Paris, Rome and Vienna. While the Universal Postal Union is headquartered at Berne (Switzerland), post adjustment and General Service salaries at Geneva are currently used for Berne.
Highest paid civil service	Under the application of the Noblemaire principle, salaries of United Nations staff in the Professional and higher categories are based on those applicable in the civil service of the country with the highest pay levels, currently the United States. See also "comparator" and "Noblemaire principle".
Income replacement ratio	The ratio of pension to average net salary received during the same three-year period used in the determination of the pension benefit.
Locality-based pay	Under FEPCA (see above), the United States Government has established approximately 30 separate locality pay areas. The locality-pay provision of FEPCA is based on average salary levels prevailing in the local labour market. For federal civil servants in a given locality, FEPCA provides for the payment of an ECI-based increase plus a locality-pay adjustment, if appropriate, for the period 1994-2002, with a view to ensuring that federal pay is brought to within 5 per cent of the non-federal pay for the locality.
Mobility and hardship allowance	A non-pensionable allowance designed to encourage mobility between duty stations and to compensate for service at difficult locations.

Net remuneration margin	The Commission regularly carries out comparisons of the net remuneration of the United Nations staff in grades P-1 to D-2 in New York with that of the United States federal civil service employees in comparable positions in Washington, D.C. The average percentage difference in the remuneration of the two civil services, adjusted for the cost-of-living differential between New York and Washington, is the net remuneration margin.
Noblemaire principle	The basis used for the determination of conditions of service of staff in the Professional and higher categories. Under the application of the principle, salaries of the Professional category are determined by reference to those applicable in the civil service of the country with the highest pay levels. See also "comparator" and "highest paid civil service".
Pensionable remuneration	The amount used to determine contributions from the staff member and the organization to the United Nations Joint Staff Pension Fund. Pensionable remuneration amounts are also used for the determination of pension benefits of staff members upon retirement.
Performance management	The process of optimizing performance at the level of the individual, team, unit, department and agency and linking it to organizational objectives. In its broadest sense, effective performance management is dependent on the effective and successful management of policies and programmes, planning and budgetary processes, decision-making processes, organizational structure, work organization and labour-management relations and human resources.
Performance-related pay	A generic concept involving a financial or financially measurable reward linked directly to individual, team or organizational performance, in the form of either base pay or a cash bonus payment. Terms used to describe different types of performance-related pay may vary. They include: Merit pay/performance-related pay/pay-for-performance/variable pay: these are tools tailored to relate individual base pay increases to individual results, usually through a performance appraisal scheme and a performance rating. Lump-sum bonus: a non-recurring cash lump sum related to the results achieved by an individual, team and/or agency or to recognize an intensive effort over a specific time period. May be pensionable or non-pensionable.
Post adjustment index	Measurement of the living costs of international staff members in the Professional and higher categories posted at a given location, compared with such costs in New York at a specific date.
Senior Executive Service (SES)	Officials of the comparator service in senior managerial positions are covered by provisions known as the Senior Executive Service Schedule.
Single rate salaries	Net salaries determined for staff without a primary dependant.
Staff assessment	Salaries of United Nations staff from all categories are expressed in gross and net terms, the difference between the two being the staff assessment. Staff assessment is a form of taxation, internal to the United Nations, and is analogous to taxes on salaries applicable in most countries.

Strategic bonuses	Recruitment, retention or relocation bonuses awarded to select staff or groups of staff, which are designed to attract potential staff, retain staff in service and relocate staff who, in the absence of such bonuses, could not be recruited, retained or relocated.
Tax abatement	In the context of dependency allowances, tax credit or relief provided to taxpayers who are responsible for the financial support of dependants (spouse, children, parents, etc.) in the tax systems of a number of countries.
Tax Equalization Fund	A fund maintained by, for example, the United Nations, that is used for reimbursing national taxes levied on United Nations income for some staff members.

Letter of transmittal

11 August 2004

Sir,

I have the honour to transmit herewith the thirtieth report of the International Civil Service Commission, prepared in accordance with article 17 of its statute.

I should be grateful if you would submit this report to the General Assembly and, as provided in article 17 of the statute, also transmit it to the governing organs of the other organizations participating in the work of the Commission, through their executive heads, and to staff representatives.

(*Signed*) Mohsen **Bel Hadj Amor**
Chairman

His Excellency
Mr. Kofi Annan
Secretary-General of the United Nations
New York

Summary of recommendations of the International Civil Service Commission that call for decisions by the General Assembly and the legislative organs of the other participating organizations

Paragraph reference	
	A. Conditions of service applicable to both categories
	1. Education grant
166(a)	(a) In the countries/currency areas indicated in paragraph 166, the maximum admissible levels for expenditures covered under the education grant system and the maximum education grant should be adjusted as shown in annex IV, table 1. For the remaining countries/currency areas, the aforementioned elements should remain the same.
166(c)	(b) The flat rates for boarding to be taken into account within the maximum admissible education expenses and the additional amounts for reimbursement of boarding costs over and above the maximum grant payable to staff members at designated duty stations should be revised as shown in annex IV, table 2.
	2. Common scale of staff assessment
188	(a) The Commission decided to report to the General Assembly that the current common scale of staff assessment should continue to apply and should again be reviewed at the time of the comprehensive review of pensionable remuneration which is scheduled for 2005/2006.
	B. Remuneration of the Professional and higher categories
	1. Base/floor salary scale
234	The Commission decided to recommend to the General Assembly that the current base/floor salary scale for the Professional and higher categories of staff should be increased by 1.88 per cent through consolidation of post adjustment with effect from 1 January 2005. The recommended base/floor salary scale is presented in annex VI.
	2. Review of the level of children's and secondary dependant's allowances
244 (b), (c)	The Commission decided to recommend to the General Assembly that the children's and secondary dependant's allowances should remain at their current levels and that the current list of duty stations at which the allowances are payable in local currencies be maintained.

Summary of recommendations of the International Civil Service Commission to the executive heads of the participating organizations

Paragraph reference	
	Conditions of service of the General Service and other locally recruited categories
284	As part of its responsibilities under article 12, paragraph 1, of its statute, the International Civil Service Commission conducted a survey of best prevailing conditions of employment for the General Service and related categories in Madrid and recommended the resulting salary scale (annex VII) and dependency allowances to the Secretary-General of the World Tourism Organization.

Summary of financial implications of the decisions and recommendations of the International Civil Service Commission for the United Nations and other participating organizations of the common system

Paragraph reference

A. Conditions of service applicable to both categories

Hazard pay

147 The system-wide financial implications of the Commission's decision to adjust the level of hazard pay for locally recruited staff were estimated at $1,800,000 per annum.

Education grant

165 The system-wide annual financial implications associated with the recommendations of the Commission regarding the maximum admissible expenditure levels and the increase in boarding costs are estimated at $2,200,000.

B. Remuneration of the Professional and higher categories

Base/floor salary scale

228 The financial implications associated with the Commission's recommendation on an increase of the base/floor salary scale as shown in annex VI were estimated at approximately $2,000,000 per annum, system-wide. The breakdown of elements is presented in paragraph 228.

C. Remuneration of the General Service and other locally recruited categories

Survey of best prevailing conditions of employment for the General Service and related categories in Madrid

285 The financial implications associated with the implementation of the salary scale for the General Service and related categories in Madrid as well as the revised dependency allowances for this category arising from the survey conducted by the Commission are estimated at $209,000 per annum.

Chapter I
Organizational matters

A. Acceptance of the statute

1. Article 1 of the statute of the International Civil Service Commission (ICSC), approved by the General Assembly in its resolution 3357 (XXIX) of 18 December 1974, provides that:

> "The Commission shall perform its functions in respect of the United Nations and of those specialized agencies and other international organizations which participate in the United Nations common system and which accept the present statute."

2. To date, 13 organizations have accepted the statute of the Commission and, together with the United Nations itself, participate in the United Nations common system of salaries and allowances.[1] One other organization, although not having formally accepted the statute, participates fully in the work of the Commission.[2]

B. Membership

3. The membership of the Commission for 2004 is as follows:

Chairman:

Mohsen Bel Hadj Amor (Tunisia)***

Vice-Chairman:

Eugeniusz Wyzner (Poland)***

Mario Bettati (France)**
Minoru Endo (Japan)**
Alexei Fedotov (Russian Federation)*
Asda Jayanama (Thailand)*
Lucretia Myers (United States of America)**
Emmanuel Oti Boateng (Ghana)***
Ernest Rusita (Uganda)*
José R. Sanchis Muñoz (Argentina)***
C. M. Shafi Sami (Bangladesh)*
Alexis Stephanou (Greece)**
Anita Szlazak (Canada)***
Gilberto C. P. Velloso (Brazil)**
El Hassane Zahid (Morocco)*

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* Term of office expires 31 December 2004.

** Term of office expires 31 December 2005.

*** Term of office expires 31 December 2006.

C. Sessions held by the Commission and questions examined

4. The Commission held two sessions in 2004, the fifty-eighth, from 29 March to 16 April at the headquarters of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in Paris, and the fifty-ninth, from 12 to 30 July at United Nations Headquarters in New York.

5. At those sessions, the Commission examined issues that derived from decisions and resolutions of the General Assembly as well as from its own statute. A number of decisions and resolutions adopted by the Assembly that required action or consideration by the Commission are discussed in the present report.

D. Programme of work of the Commission for 2005-2006

6. At its summer 2004 session, the Commission considered its programme of work for 2005-2006 and decided to place on its agenda the items listed in annex I to the present report. In continuing to place emphasis on the review of the pay and benefits system (salary) and with the launch of the pilot studies on broadbanding and pay-for-performance, the Commission has included on its agenda related allowances and benefits that form part of the overall remuneration package with a view to their modernization and simplification. At the same time, certain other items dealing with remuneration matters on the agenda, such as the application of the Noblemaire principle and the review of pensionable remuneration, would involve complex studies.

Chapter II

Resolutions and decisions adopted by the General Assembly and the legislative/governing bodies of the other organizations of the common system

7. ICSC considered a report on the actions concerning the United Nations common system taken by the General Assembly at its fifty-eighth session (spring 2004). The Commission was also provided with the details of the presentation by its Chairman of the twenty-ninth annual report of the Commission to the Fifth Committee of the General Assembly, the general debate thereon in the Fifth Committee and the informal consultations held among Member States, which led to the adoption by consensus of General Assembly resolution 58/251 of 23 December 2003, on the common system.

8. Details were provided on resolutions and/or decisions adopted by the governing bodies of the organizations of the common system that could be of interest to the Commission. In that context, the decisions of the Executive Board and World Health Assembly of the World Health Organization (WHO) were brought to the attention of the Commission.

Chapter III
Conditions of service applicable to both categories of staff

A. Review of the pay and benefits system

1. Implementation of the pilot study on broadbanding/reward for contribution

9. As part of its ongoing review of the pay and benefits system, the Commission is reviewing possible new approaches to the way staff are currently paid in the United Nations common system. The Commission fully understands that it is considering approaches, which if implemented would be the most significant departure from the current system of remuneration since the United Nations was established. Therefore, the Commission decided on a cautious and deliberate plan to ensure that the new approaches are initiated on a sound footing. Accor ingly, it decided on a pilot study to test the new approaches (broadbanding and pay-for-performance) over a period of time. The study would be rigorous and would need to be successful in order to move forward with implementation. A number of organizations (Joint United Nations Programme on HIV/AIDS (UNAIDS), United Nations Development Programme (UNDP), World Food Programme (WFP) and International Fund for Agricultural Development (IFAD)) have volunteered to test the new approaches.

10. After the Commission's fifty-eighth session (spring 2004), UNESCO volunteered its International Centre for Theoretical Physics in Trieste, Italy, for inclusion in the study. The Commission's secretariat will be scheduling a meeting with representatives of this volunteer organization to assess the status of its human resources subsystems and its readiness to proceed with the study.

11. Over the course of its last several sessions, the Commission has been reviewing and taking decisions regarding the modalities for the pilot study on pay-for-performance and broadbanding which it has conveyed to the General Assembly in its 2002 and 2003 annual reports. At its sessions in 2004, the Commission again reviewed the status of the pilot study on broadbanding and pay-for-performance, and in this connection, heard presentations from the volunteer organizations on the status of their readiness to proceed with the study. It also addressed a number of remaining issues related to the modalities for the study and decided that the study should commence on 1 July 2004, as scheduled. For the time being, the study is limited to a three-year period.

12. The framework for the pilot study on broadbanding/pay-for-performance reflecting decisions of the Commission is provided in annex II.

Views of the organizations

13. The representative of the Human Resources Network expressed thanks to the ICSC secretariat for its continued efforts to prepare for the commencement of the pilot study as of 1 July 2004. She also expressed the Network's appreciation for the progress made by the four participating organizations in pursuing the necessary developmental work required for their participation in the pilot study. These organizations had devoted considerable time and effort in preparing for the pilot's launch in a timely manner. In this connection, the Human Resources Network

requested assurance that an adequate level of support would be provided by the ICSC secretariat to the volunteer organizations.

14. The representative of the Human Resources Network emphasized that there was a need for flexibility. This was a pilot study. One issue on which organizations saw the need for flexibility concerned extension of aspects of the pilot to General Service staff and National Professional Officers. These categories of staff were frequently members of teams where their contributions might impact significantly on the team's success.

15. As noted above, the representative of UNESCO announced that her organization would like to implement the pilot study at its International Centre for Theoretical Physics in Trieste.

16. The representative of WFP noted that her organization had finalized a new performance appraisal system, entitled Performance and Competency Enhancement (PACE). This system, which was linked to results-based management and divisional work plans, had only three ratings: outstanding, successful and unsatisfactory. Training programmes on the use of PACE had already been undertaken by 70 per cent of the staff. It was expected that all staff would have been trained in the system by the end of September 2004 and that all staff would be using the system as of 1 January 2005.

17. Regarding competencies, the WFP representative noted that these would be included for development purposes in 2004. Through staff focus groups, the competency assessment methodology would be developed prior to the inclusion of competencies for evaluation purposes in 2005. She also noted that a 360 degree tool had been developed for managers (P-5 and above) and that the development of one for staff at the P-1 to P-4 levels was being considered. The 360 degree tool allows for the evaluation of individual performance by direct supervisors, peers, direct reporting officers and others.

18. WFP had also conducted a global staff survey in which it had asked questions about work and jobs in order to identify differences between groups of staff and survey topics. There had been a 60 per cent response rate. A specific attitude survey would be forwarded to the pilot and control group following an informational campaign and specific briefings with groups of staff and managers.

19. She also noted that WFP had appointed a project manager and that the financial resources for the study had been approved. The units of WFP that would participate in the study had been selected and the managers were presently being contacted by the WFP project manager. Staff participating in the study would be staff at the Professional and higher categories (P-1 to D-2) on different types of contracts at different duty stations. Control groups with the same functional characteristics and similar demographics needed to be identified.

20. WFP would participate in the pilot study on a virtual basis during the first year but could participate on a real basis for the second year, based on internal evaluation of experience and the results of a legal review.

21. The representative of UNDP noted that his organization had selected the Copenhagen office for the pilot since it needed an office outside New York to practice and develop materials. Furthermore, this office had been chosen because of its existing performance management system and the fact that many of its new staff

had experience with pay systems similar to broadbanding. He indicated that his organization had also decided to include a regional bureau in the study and told the Commission that that decision had been made on the basis of the following criteria: management engagement, communication and size.

22. Regarding the participation of National Professional Officers in the pilot study, the representative of UNDP noted that, owing to budget reductions, this category of staff, which was subject to the same job evaluation standards as staff in the Professional category and above, had replaced Professional staff (P-1 to P-4) in many country offices. Furthermore, UNDP was actively closing the national/international divide by providing equal access to learning and career development opportunities as well as rewarding and recognizing National Professional Officers for their contribution. The representative noted that General Service staff should be included in the pilot study for the same reasons as used for the National Professional Officers as well as for the "one office one team" concept.

23. The representative of UNDP noted that a full-time project manager would be on board by 1 September 2004. He also stated that the financial resources for the study had been approved. He outlined the timetable for the implementation of the pilot study at the Copenhagen office and noted that, in January-March 2005, the full performance system, including client feedback and the 360 degree feedback tool, would be operational. Around that time the first calculation/simulation of pay-for-performance, based on 2004 performance management, would be made.

24. Regarding the regional bureau, he noted that, in September 2004, the regional task force would begin operations, including the roll-out of a decentralized communications strategy aimed at all country offices. From October to December 2004, the regional roll-out plan would be prepared.

25. UNAIDS presented a detailed explanation of the holistic framework for the development of competencies and measures of success to be applied at UNAIDS. It was intended that the completion of these subsystems at UNAIDS would set an example for other volunteer organizations, and subsequently across the United Nations common system.

26. The progress described began with the new job evaluation standard. Instead of reflecting individual grade levels of P-1 through D-2, three bands that mirror the three salary bands to be tested, namely, Band 1: P-1-P-2, Band 2: P-3-P-5 and Band 3: D-1-D-2 were shown along the colour spectrum of the job evaluation scheme. This allowed for a graphic display of jobs at UNAIDS in the broadbanded structure. Nonetheless, the values of the seven grade levels would continue to appear and can readily be identified within the three bands.

27. The next step had been to build job illustrations for the four occupational streams that had been identified as the major functional interests of UNAIDS. These four streams were: programme management; governance; operations; and policy/advocacy. The job illustrations were developed through an intensive consultative process within UNAIDS and described, in summary, the primary characteristics of work at each factor level.

28. Following agreement on job illustrations, complementary competency profiles were also developed to reflect the competencies required for the work described at each factor level across the four identified activity streams, using the same consultative process of broad-based focus groups.

29. In preparation for achieving a holistic framework of development and performance measurement, developmental assignments and a learning framework were defined at each level to parallel the contribution outlined in the job illustrations and to build and nurture the staff member's growth in an integrated manner. For performance management, the learning framework uses a 70/20/10 model with 70 per cent of the emphasis being placed on developmental assignments on the job, 20 per cent given to self-study through stimulating literature and 10 per cent to targeted events such as workshops, conferences and other training activities.

30. Development of the final component of the holistic system, that is, defining measures of success, was in process. This was a 360-degree rating system, comprising ratings of supervisor, team members, peers and clients. Guidelines indicating the successful outcome(s) that lead to the attainment of each standard were under development. As for the other elements of this scheme, focus groups would continue to be the medium used for ensuring consistency in understanding and relevance throughout the organization. A target date of January 2005 has been set for full completion and application of this component of the system.

31. IFAD was on track for implementation of the pilot study by 1 January 2005. IFAD had recently conducted its own staff attitude survey and had submitted its preliminary workforce data to ICSC. Developmental efforts were under way to link competencies to developmental plans. Furthermore, an ICSC consultant had recently assisted IFAD on performance appraisal mechanics, including the determination of performance awards.

Views of the staff representatives

32. The Federation of International Civil Servants' Associations (FICSA) commended WFP on its efforts to be transparent and to consult its staff regarding the pilot. The functioning of the new performance appraisal system, PACE, would have a crucial impact on the pilot study and it was expected that the pilot would indicate how effectively this performance evaluation system functioned.

33. The representative stated that FICSA in 2002 had expressed its opposition to broadbanding and pay-for-performance and their proposed application in the common system. FICSA reiterated this position and explained that the need to do so was prompted by reports it had received through management and staff association sources alleging that it was supporting these concepts because it was engaging in dialogue with the administrations and the Commission on this issue.

34. The representative of FICSA reminded the Commission that in 2002 it had approved guidelines, agreed to by the administrations, for the conduct of the pilot study. At that time, it had also approved the need for credible and tested performance management systems to be in place before the pilot study commenced.

35. Regarding the amount of flexibility that should be exercised in conducting the pilot study, FICSA noted that while flexibility is a desirable concept, too much flexibility by the volunteer organizations could make it that much more difficult to judge the success or failure of the study and the reasons for either result.

36. Turning to UNDP's specific proposal to conduct its pilot study in Copenhagen, FICSA was opposed to the inclusion of staff in the General Service category in the pilot study and reminded the Commission that this had not been agreed to when the study was first discussed. While understanding the "one team" concept, FICSA

questioned why Copenhagen had been chosen by UNDP. If this concept was a condition for success and if it was known beforehand that teams were composed of staff in the Professional category along with a majority of General Service staff, why would this group of staff be seen as representative when the pilot was originally intended to cover only staff in the Professional and higher categories?

37. It was clear that the UNDP office in Copenhagen was a unique entity, one that is only a year old and whose staff had previously been employed by the private sector or by companies that had systems in place similar to those now being proposed for testing. FICSA understood that UNDP staff in Copenhagen were employed under short-term contracts and was concerned that, under such circumstances, the staff could display different behaviour, perhaps labouring under the perception, even if not deliberate, of intimidation. FICSA wondered what the common system could hope to learn from the Copenhagen experiment, even if successful. The validity of piloting a United Nations entity that was so unique and did not adhere to a typical United Nations profile was questionable, especially as it had been stated repeatedly that the reforms were intended to result in a shift in the mindset of staff, that is, from an entitlement-based to a performance-based culture. Regarding UNDP's proposal to extend the pilot to its offices in the Asian region, in view of the limited information available, FICSA could only surmise that this would prove to be difficult.

38. FICSA noted that while WFP had mentioned that it had control groups in place for the pilot, UNDP had said little about this. FICSA was also concerned about whether there was a local staff association in Copenhagen and, if so, whether it was fully functioning given that the Copenhagen office was just over a year old. FICSA had been informed that there had been some discussion between the UNDP/the United Nations Population Fund (UNFPA)/the United Nations Office for Project Services (UNOPS) Staff Council in New York and the UNDP administration on the proposed pilot study and that the Staff Council had asked to be part of the administration's mission to Copenhagen. In the end, no staff representative from Headquarters had joined the mission, even though this would have been very valuable.

39. Regarding indications that "real" pilot studies were being proposed, albeit with different timelines, FICSA registered its concern that, should this be the case, FICSA would be examining the legal implications of this in tandem with the need to provide an informed consent to any staff member wishing to participate in the pilot. FICSA was deeply concerned about the need to secure the full consent of participating staff and emphasized the need that those staff members fully understand their rights and obligations.

40. FICSA referred to the requirements of the United States federal demonstration projects and pointed out that certain criteria and standards had been established before these projects could proceed. FICSA asked again whether the Commission had decided upon such criteria for success, as there had not been any recent information provided to indicate that this was the case. Concern was expressed that so many different plans and stages of readiness, categories and untested performance appraisal systems now seemed to be in place for the pilot study that assessing its outcome and upholding its viability would be much more difficult. FICSA could not help but note how the rules of the game were being changed. In

conclusion, FICSA sought confirmation that the pilot would not be evaluated until, at a minimum, the agreed upon three-year period had elapsed.

41. The Coordinating Committee for International Staff Unions and Associations of the United Nations System (CCISUA) supported a paper from the Staff Union of the International Labour Organization (ILO) containing comments on the review of the pay and benefits system. CCISUA supported the view that the review of the pay and benefits system was actually an attempt to jeopardize the system. If the United Nations was to ensure its relevance in the future, the way forward for all of its organizations was to embrace the unified character of the international civil service and to ensure that the goal of human resources management was to lead by example, by promoting equity, fairness and a true common system for all international civil servants. According to CCISUA, a review of the pay and benefits system should explore, among other things, a feasibility study for introducing a unique grade structure for all staff across the United Nations.

42. CCISUA supported the request of the ILO Staff Union for affirmation of the principle according to which all international civil servants were assigned jobs that were classified in categories and grades, in accordance with the duties and responsibilities attached to them. CCISUA also requested the Commission to make sure that salaries remained linked only to the grade corresponding to duties and responsibilities assigned to individual officials and that mechanisms be designed that permit constant progression over time. Furthermore, any reform in the pay and benefits system should be designed in such a way that it did not affect the proper functioning of the United Nations Joint Staff Pension Fund (UNJSPF) as a comprehensive, benefits-defined pension scheme based on all elements of remuneration.

43. The representative of CCISUA supported the remarks of FICSA regarding the exclusion of staff in the General Service category from the pilot study for the time being. It requested the Commission to oppose the proposal of UNDP to include staff in the General Service category in its Copenhagen office in the pilot study.

Discussion by the Commission

44. The Commission noted that it had decided at its fifty-eighth session (spring 2004) to include four volunteer organizations in the pilot study on broadbanding/performance pay, which had commenced on 1 July 2004. The four volunteer organizations were: WFP, IFAD, UNAIDS and UNDP. It further noted, however, that since its decision, two other potential volunteer organizations had come forward, namely, the United Nations Office on Drugs and Crime (UNODC) and UNESCO's International Centre for Theoretical Physics. While it considered that it could review its decision to limit the volunteer group to four, it wanted to be assured that any additional volunteers were sufficiently prepared to proceed with the study within a reasonable time frame. In that context, it recalled that some of the current group of volunteers had previously indicated that some aspects of their pilot testing programme could not be fully implemented until 1 January 2005.

45. With regard to UNODC, the Commission noted that while the ICSC secretariat had already initiated a review of its readiness to proceed with the study, and while the Office had initially indicated considerable interest in participating in the study, it had subsequently declined to volunteer.

46. With regard to UNESCO's International Centre for Theoretical Physics, the Commission noted that an interest in participating in the study had only very recently been expressed by UNESCO and that it had not yet been possible to assess its readiness to proceed with the study. It considered that such an assessment should be conducted as soon as possible in order to determine its status as a volunteer. Some Commission members enquired whether the participation of UNESCO in the study would provide beneficial lessons to the common system and if it would assist UNESCO in determining the applicability of the study results to other parts of UNESCO. Commissioners sought information about how the decision on UNESCO's participation in the study would be made since the Commission's next meeting would be in early 2005. The Commission considered that the decision would need to be delegated to the Chairman in order that UNESCO's participation in the pilot study might proceed in an orderly manner.

47. The Commission addressed a request of its secretariat related to the groups of staff to be included in the pilot study. It recalled that it had already addressed this issue on a number of occasions, most recently at its fifty-eighth session (spring 2004) when it decided that the main group of staff to be included in the study would be in the Professional and higher category. National Professional Officers were also identified for possible inclusion. Unlike the National Professional Officers, who were subject to the same job evaluation standard as staff in the Professional and higher category, staff in the General Service category were not considered to be ready to take part in the study. The Commission's decision was based on the holistic approach being applied to the pay and benefits review. The new job evaluation system promulgated on 1 January 2004 reflects the same holistic approach by underpinning other human resources initiatives, for example, performance management and competency development. In the case of staff in the General Service category, the Commission had taken only preliminary steps in its preparation for a review of the General Service job evaluation system.

48. The Commission noted that the rationale for the inclusion of additional groups of staff related largely to the manner in which work is carried out, that is as part of a team effort. In the context of the practical considerations in moving forward with the pilot study, some of the volunteers had indicated that the issue was of significant concern to their staff. This was a concern for UNDP and UNAIDS in particular. Some Commission members noted that if the results of the study prove to be successful, the application of the initiatives being tested would eventually need to be studied in relation to other groups of staff. It was also noted by several Commission members that they had consistently advocated a test of model 3 (the current salary structure without steps and movement through a grade based on performance). In the view of these Commission members, if model 3 were to be tested in the course of including an additional group of staff in the study, such as staff in the General Service category, it would provide useful test results. Accordingly, some flexibility with regard to the inclusion of other groups of staff was considered possible. The ICSC secretariat should, however, provide oversight and technical guidance to the volunteers applying the new initiatives to any groups of staff in addition to staff in the Professional category and above.

49. The Commission expressed appreciation for the progress that had been made so far in linking the job requirements with desired competencies, learning and development plans and the assessment of staff performance. It recalled that a primary prerequisite for moving forward with the pilot study was a credible

performance system. Based on the presentations of the volunteer organizations, it considered that the required checks and balances and other inputs to create a balanced and equitable process for identifying good performance were being put in place. Despite this optimism, questions remained as to how objectively performance that surpassed objectives could be measured and how the system would be linked to performance awards. It was believed that clear expectations should be established between manager and staff to ensure credibility and absence of manipulation.

50. As part of this discussion, the Commission recalled that it had made a number of decisions on the modalities for the pilot study over the last few years. It further recalled that it had already modified some decisions. This was not, however, unexpected since it was stated from the earliest days of the consideration of the study that it should be seen as an evolutionary process requiring modifications as lessons were learned. It therefore considered it useful to identify all currently applicable decisions on the pilot study and to provide the information to the General Assembly (see annex II to the present report).

Decisions of the Commission

51. The Commission decided that:

(a) UNESCO' s International Centre for Theoretical Physics in Trieste, Italy, could participate in the pilot study as a volunteer organization, subject to a review of the human resources subsystems in place and an analysis of the readiness of the Institute to proceed with the study by 1 January 2005. The Commission further decided to delegate to its Chairman the decision on the readiness of the Institute and its participation in the study. The ICSC secretariat was requested to provide an update on this matter concerning the possible inclusion of the Centre in the pilot study at the Commission's sixtieth session (spring 2005);

(b) It would reaffirm that staff in the Professional and higher categories would represent the basis for the pilot study, including other Professional staff subject to the same job evaluation standard, that is, as promulgated on 1 January 2004;

(c) It would agree that the volunteer organizations could include staff in the General Service and related categories in the study on the basis of model 3 subject to individual requests and approval by the Commission.

2. Modernizing and simplifying allowances

52. In 2001, ICSC decided, as part of its review of the pay and benefits system, to undertake a comprehensive review of allowances currently payable in the United Nations common system with a view to modernizing and simplifying them. The Commission also decided to begin in 2004 with a review of the education grant and the mobility and hardship scheme.

Views of the organizations

53. The representative of the Human Resources Network recalled that executive heads and Member States had repeatedly called for a comprehensive review of the pay and benefits system. Executive heads had expressed their concern over the current system's lack of competitiveness. A competitive United Nations pay and benefits system would enable organizations to attract and retain a high quality

workforce. Member States had said that a competitive package of conditions of service was a prerequisite for the successful achievement of human resources management reform.

54. From the outset of the pay and benefits review, executive heads had emphasized that the updating and expansion of the Noblemaire principle, the foundation of the pay and benefits system, must be an integral part of the reform process. When they addressed the Commission in 2002, the Secretary-General, the Administrator of UNDP and other executive heads all stressed the importance they attached to expanding the Noblemaire principle.

55. Compensation levels in leading expatriate services of Member States and in other international and regional organizations had left the United Nations system lagging seriously behind. There was growing competition for human resources with other international organizations. Moreover, globalization had resulted in growing competition with multinational enterprises for expatriate expertise. This expertise must be linguistically flexible, willing to be mobile and, increasingly, able to work across disciplines. Evolution in society also impacted heavily on the workplace. Dual career issues were now a major issue in recruitment and retention. Recalling the statement made by the Deputy Secretary-General when she opened the fifty-seventh (summer 2003) session of ICSC, the Human Resources Network noted that it was not a question of whether organizations could recruit someone, but could they recruit the best.

56. A holistic, integrated approach, as presented in the Commission's framework for human resources management dictated that the pay system should be reviewed in its entirety. Organizations did not believe that a review of allowances could be de-linked from the actual issue of the Noblemaire principle. Any review should be premised on a thorough policy review of the principle and its implementation. The representative recalled that executive heads had often indicated that the Noblemaire principle was not working as it was intended and that it had to be updated. Possible ways of doing this might include reference to foreign services and to other international and regional organizations whose work was most similar to that of the United Nations organizations, and with whom organizations were competing for staff. The representative of the Human Resources Network noted that the work of the majority of the staff could no longer be compared to that of a largely home-based national civil service. Organizations were most disappointed that the long awaited review of the Noblemaire principle did not appear on the agenda at the fifty-eighth session (spring 2004).

57. The importance the executive heads attached to this subject was reflected in a statement that the United Nations System Chief Executives Board for Coordination (CEB) had recently adopted for transmission to the Commission at its fifty-eighth session (spring 2004):

> "Executive heads have repeatedly emphasized the need for enhancing the competitiveness, flexibility, transparency and responsiveness in the current pay and benefits system. They therefore encourage ICSC to give the highest priority to the reform of the pay and benefits system, which would provide a much needed basis for the improvement of organizational performance. In this context, they look forward to the successful outcome of the pilot study on broad banding and pay for contribution. Executive heads reaffirmed the importance they attach to updating the Noblemaire principle and urge the

Commission to complete its work in this area as quickly as possible. While welcoming the Commission's commitment to modernizing and simplifying allowances, executive heads stressed the importance of reinforcing appropriate benefits and incentives to enable organizations to recruit, retain and enhance the mobility of high quality staff. This will require full consultation with organizations and staff."

Views of the staff representatives

58. The representative of FICSA fully supported and strongly endorsed the statement made by the Human Resources Network, especially concerning the expanded interpretation of the Noblemaire principle. While welcoming modernization and simplification of allowances, the FICSA representative stressed that new approaches should not lead to reductions and that methodologies should be transparent. The document before the Commission was a useful starting place. FICSA stressed that the education grant was a mainstay of the system, that it worked well and was highly appreciated by staff. FICSA would have more detailed comments to make and would emphasize the needs of field staff when discussing the mobility and hardship allowance and hazard pay.

59. The representative of FICSA agreed that the consideration of allowances should be done holistically since there were linkages. The organizations were becoming more mobility-oriented and the education grant, for instance, was linked to mobility. FICSA suggested that the staff who were highly mobile should be entitled to an education grant in their home country when rotation assignments returned them there for only one or two years. In addition, the issue of hazard pay needed to be looked at closely in the light of recent events.

60. The representative of CCISUA supported the views expressed by the representatives of the Human Resources Network and FICSA.

Discussion by the Commission

61. The Commission expressed its appreciation for the documents prepared by its secretariat, especially for the document that provided a historical overview of all the allowances and benefits. This document was very useful as it provided information on the basis of the various allowances as well as how previous review groups had looked at all these allowances.

62. The Commission recalled that, in its annual report for 2002, it had reported to the General Assembly its work plan for its review of the pay and benefits system. In that work plan it had clearly indicated that it would commence the review of the allowances and benefits in 2004. The Commission also recalled that both administration and staff representatives were aware of that work plan. The Commission did not see a review of the allowances and benefits as being integral to a review of the Noblemaire principle. The Noblemaire principle was, however, on the Commission's agenda for the fifty-ninth session (summer 2004), and such scheduling should not preclude the Commission from reviewing the allowances in the meantime.

63. The Commission noted that a number of the allowances and benefits were linked and that it would prefer to look at these together. For instance, members of the Commission noted that there was a linkage between the mobility and hardship

allowance, hazard pay, strategic bonuses and the assignment grant. Therefore, they would have preferred that these allowances would have been brought together in the work plan. Some members of the Commission also raised the issue of whether hazard pay should still be considered a "symbolic" payment. The bombing of the United Nations offices in Iraq had shown that circumstances have changed and the United Nations had increasingly become a target. The Commission therefore needed to take a new look at this allowance.

64. Some members also raised the issue of "designated beneficiaries" and expressed the view that, at the time of the review of the dependency allowances, consideration should be given to including designated beneficiaries in the definition of dependency.

65. Regarding leave entitlements, the Commission felt that all leave entitlements should be considered at the same time. Members of the Commission noted, however, that they would consider the issue of paternity leave at the current session since the information they had requested on this item had been provided. The Commission could nevertheless review the matter again in the context of all the other leave entitlements that were to be considered at a later date.

Decision of the Commission

66. The Commission decided to continue its consideration of the allowances and benefits within the framework of its review of the pay and benefits system and decided on the following schedule:

Year	*Item*
2004	1. Education grant.
	2. Allowances relating to mobility and hardship:
	(a) Mobility and hardship allowance (including the role of the rental subsidy scheme in enhancing mobility);
	(b) Assignment grant;
	(c) Hazard pay;
	(d) Recruitment, relocation and retention bonuses.
2005	1. Dependency benefits:
	(a) Spouse benefits (including dependency and single rates, salary structure);
	(b) Children's allowance;
	(c) Secondary dependant allowance.
	2. Pensionable remuneration and consequent pensions.
	3. Separation payments:
	(a) Termination indemnity;
	(b) Repatriation grant;
	(c) Death grant.
2006	1. All leave entitlements.
	2. Language incentive.

3. Implications of the enlargement of the European Union on the operation of the mobility and hardship scheme and on the post adjustment system

67. ICSC had before it a note by its secretariat containing options for applying a methodology similar to that used for other Group I duty stations for the cost-of-living measurements as well as for the application of the post adjustment classification for the 10 duty stations joining the European Union as of 1 May 2004. A summary of differences in the methodology for Group I and Group II duty stations was provided. The Commission was requested to decide upon the post adjustment classification procedures to be applied for those countries joining the European Union.

68. The Commission was also informed that accession to the European Union would have an impact on the classification of the 10 countries under the mobility and hardship scheme, which differentiates between headquarters (H) and field duty stations (A-E) in terms of the conditions of life and work. Duty stations in these countries are currently classified as field duty stations, and the Commission was requested to decide on the appropriate date on which these duty stations should be classified as headquarters duty stations.

Views of the organizations

69. The representative of the Human Resources Network considered that any changes in the application of post adjustment methodology for the 10 countries joining the European Union should be reviewed on a case-by-case basis. The Human Resources Network recommended that attention be paid to reviewing those classification variables that affect the post adjustment system and action taken, as necessary. In addition, the Network believed that the trigger for any such individual country review should be the entry of that particular country into the single currency of the European Union.

70. With regard to the issue of the classification of duty stations in the 10 countries due to join the European Union on 1 May 2004, the representative of the Human Resources Network expressed the view that the existing ICSC classification should be maintained. He believed that the duty stations should be reviewed on a case-by-case-basis and should only lose their "A" classification on 1 January of the year following that in which the United Nations system no longer had any developmental or humanitarian programme for the country in question. The representative highlighted the fact that some countries had only very recently been upgraded to the "A" category and that, in view of the fact that the United Nations system at large would continue to support them with large programmes for some time, dialogue with the secretariat on the means for phasing in the new classification would be appropriate. The Network, therefore, saw no reason to change the existing classification until all developmental and humanitarian assistance to these countries had been phased out.

71. Representatives of organizations of the common system noted that conditions of life and work in those locations recently upgraded to the "A" category could not, in a time period of less than six months, undergo such dramatic changes as to support a further change to the "H" category. They believed that there would be different levels of accession within the European Union and that the range of inequality in these countries revealed a need to review each one individually.

Views of the staff representatives

72. The representative of FICSA, speaking also on behalf of CCISUA, supported the position of the Human Resources Network. He was of the opinion that transition was always a difficult period and that it was unlikely that a country would change from one day to the next simply through accession to the European Union. FICSA and CCISUA therefore wished to see a phased approach in applying the new classification according to the conditions of life and work.

Discussion by the Commission

73. The Commission noted that the enlargement of the European Union represented an event of historical proportions. The 10 countries seeking membership in the Union had fulfilled the criteria for accession, a fact which should be recognized and respected by the Commission. The countries should be treated in the same way as the present members of the Union.

74. The Commission carefully examined concerns of the staff in respect of any possible reduction of remuneration. The Commission noted that the European Union would adjust the salaries for its international staff in the 10 countries joining the European Union in the same way as the rest of the member countries of the Union using correction coefficients. However, for existing staff of the European Union, the application of lower classification would be delayed for up to 15 months.

75. As for the United Nations staff at these duty stations, the Commission was informed that the total number was relatively small and the rotation level high. This would reduce the transition period for the United Nations common system in case of possible reduction in net remuneration.

76. The Commission noted that a change in the classification of the 10 countries from the field duty station "A" category to the headquarters duty station "H" category under the mobility and hardship scheme, in which duty stations were classified according to the conditions of life and work, would mean reductions in mobility entitlements and assignment grants. The Commission had considered the request of the Human Resources Network and individual organizations to review the conditions of life and work on a case-by-case basis and had concluded that there was no reason to carry out such a review. In its opinion, negotiations surrounding the application of the 10 countries for membership in the European Union had been in process for quite a number of years and, after close examination, the Union had determined that they satisfied the criteria for acceptance. This decision was acceptable to the Commission in view of the high standards set by the Union. Therefore, the change in classification for these duty stations should be carried out at the same time; to do otherwise would be discriminatory and would set an untenable precedent.

77. In considering the date of implementation for the new classification according to the conditions of life and work, most members believed that there would be no justification for waiting until 2008 to apply the change in classification in view of the fact that internal arrangements for financial assistance to European Union members had always been in place. Most members believed that the date of 1 January 2005 would be appropriate, since it would allow staff to adjust to the impending change in advance, would conform to the implementation date of the

regular review cycle and would be in accordance with the Commission's treatment of former applicants to the European Union.

Decision of the Commission

78. The Commission decided that:

(a) For post adjustment purposes, the 10 countries joining the European Union on 1 May 2004 (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) should be considered as Group I duty stations, starting with the implementation of new place-to-place surveys;

(b) New place-to-place surveys should be scheduled and conducted in 2004 for all 10 "enlargement" countries. The cost-of-living data should be processed using the methodology for Group I duty stations and implemented not later than May 2005;

(c) Organizations should start paying salaries for staff in the Professional and higher categories in local currency, starting with the implementation of new place-to-place surveys for respective duty stations;

(d) A modification of the rental subsidy scheme corresponding to Group I duty stations should be introduced at the time of the implementation of new place-to-place surveys;

(e) The change from "A" to "H" in the classification of these duty stations under the mobility and hardship scheme should be applied with effect from 1 January 2005.

B. Contractual arrangements

79. In accordance with article 15 of its statute, the Commission examined the question of contractual arrangements on several occasions, dating as far back as 1979. It focused on determining issues of the career and non-career civil service according to the needs of the organizations of the United Nations system and on the types of appointment used in the common system with a view to rationalizing the ever increasing types of contracts used.

80. At its fifty-seventh session (summer 2003), the Commission reviewed proposals for the establishment of a general framework for contractual arrangements outlining three categories of appointments that would serve as policy guidelines for the organizations of the common system. It requested its secretariat to prepare a model contract for each of the three categories proposed, with subgroups in each category clearly distinguishing the key characteristics for each subgroup.

81. The Commission was provided at its fifty-ninth session (summer 2004) with a model for all three contractual categories, including details on conditions of employment such as: duration of tenure; mobility requirements; the requirement for a probationary period; procedures for progression to other contract types; the compensation package; social security and health insurance provisions; and conditions for extension and/or termination.

Views of the organizations

82. The representative of the Human Resources Network expressed the serious and profound disappointment of its membership with the proposals on contractual arrangements prepared by the ICSC secretariat.

83. In the past, the Human Resources Network had drawn attention to what could be described as a tension between the core and non-core aspects of contractual arrangements as expressed in the framework for human resources management. He referred to the framework, noting that on several occasions, the Network had repeatedly stressed that contractual arrangements must meet the organizations' diverse business needs and the nature of work being performed and that the contractual arrangements were governed by changing financial realities and the legislation of the respective organizations' governing bodies, in line with the principles enunciated in the framework.

84. The Human Resources Network also recalled that at its session in July 2003, the Network had "expressed appreciation for the time and collaborative effort of the ICSC secretariat, which had led to the delineation of a general framework and of useful guidance to organizations in maintaining their roles as socially responsible employers" and that it had considered "the framework and recommendations flowing therefrom as recommendations — not prescriptions". On that basis, the Network had endorsed the framework proposed by the ICSC secretariat at its fifty-seventh session (summer 2003), as organizations would be allowed the flexibility to adapt them to their own programmatic, operational and financial requirements.

85. Recalling, therefore, the previous good collaboration with the ICSC secretariat on the issue of contractual arrangements, the proposal presented at the Commission's fifty-ninth session (summer 2004) was now of a highly prescriptive nature that did not reflect the agreements reached in 2003 and was seen as limiting rather than encouraging the flexibility and ability of organizations to respond to the requirements of their respective financial and managerial organizational realities in an effective and efficient manner. The implementation of the proposed arrangements would imply changes to existing staff rules that are approved by each organization's respective governing body. It was regrettable that there had been no opportunity for consultation and collaboration between the ICSC secretariat and the Human Resources Network on the currently proposed framework. While recognizing that time constraints on the part of the ICSC secretariat might have been responsible for this lack of consultation, the Network was unanimous in its view that further deliberations on this topic could not usefully proceed without the benefit of a full consultative and collaborative process.

86. In particular, the Human Resources Network considered that a link of appointment type with funding source was inconsistent with the needs and realities of the organizations of the common system, in particular for those that were funded exclusively from voluntary contributions. The link of appointment type with duration and tenure as proposed by the secretariat was prescriptive and curtailed organizational flexibility. Moreover, termination of continuing contracts on the basis of major programme changes that rendered staff members' competencies irrelevant to the organization raised strong concern among the members of the Network. The Network emphasized that a change in skill and competency requirements could not be considered as the only grounds for termination of contracts. In addition, there were many other reasons not mentioned in the document for which organizations

may consider termination of contracts (for example medical grounds or disciplinary action).

87. The Human Resources Network therefore requested that the document be withdrawn from the agenda of the fifty-ninth session (summer 2004) and that the secretariat pursue further consultations with organizations to revert to a framework that would serve as the flexible tool containing non-prescriptive principles and guidelines to be adapted by organizations according to their operational realities.

88. In the course of the debate, responding to the Commission's request for the cooperation of the Human Resources Network in reviewing the document, which impacted on the critical issue of contractual arrangements, the Network noted that many of their concerns could not be resolved without intersessional consultations. It was prepared, however, to work with the ICSC secretariat on revisions and amendments to the proposal following the session.

Views of the staff representatives

89. The representative of FICSA reiterated support for three contract types, permanent, fixed-term and temporary (for truly temporary work), and again cautioned against the abusive use of temporary contracts for long-term needs. FICSA believed that a stronger stand was needed on the issue of abuse of temporary contracts that was worsening at a rapid rate and was often justified by the need for increased flexibility. FICSA pointed out that, as previously stated, there were two kinds of civil servants, career and non-career. Although support was expressed for the concept of job security, the proposal for the establishment of continuing contracts that would be subject to renewal every five years ran counter to this.

90. The Federation viewed contractual arrangements as a key component of the framework for human resources management approved by the ICSC in 2000 and one that was linked with performance management, staff training and development, staff well-being, benefits, and standards of conduct. Together with grievance procedures and harassment, it was one of the most sensitive and contentious issues for staff. Dubious contractual conditions created anxiety, low staff morale, unhealthy work environments and low productivity, which sometimes resulted in appeals lodged with the United Nations Administrative Tribunal and the Administrative Tribunal of the International Labour Organization.

91. Regarding the suggestion made that staff who were considered for conversion to other types of appointments bypass the competitive process, FICSA agreed that this might be suitable, for example, in the case of staff converting from fixed-term to permanent/indefinite contracts, where no change of post was envisioned, but that this would not be suitable for staff converting from temporary to fixed-term appointments who were not subject to the same rigorous recruitment procedures as those employed on longer term contracts. Such criteria often included the need for equitable geographical representation.

92. FICSA pointed out that just as there was a proliferation of contracts being used throughout the United Nations system, there was also an array of recruitment and selection practices, some of which included the participation of staff representatives and some which either did not or limited the role of staff representatives to effectively rubber-stamping decisions. FICSA requested therefore that the

Commission consider an examination of recruitment and selection procedures in the organizations at its next session.

93. FICSA expressed the view that the award of a continuing contract should not depend on the sources of funding as this would only lead to a two-class staff structure.

94. FICSA stressed the need for staff, at the time of recruitment, to be fully aware of their contractual conditions as well as the reasons for termination. In addition, conditions of the probationary period needed to be clearly explained. FICSA considered that a one-year probationary period was reasonable, whereas a five-year period of probation was not. FICSA also did not agree to an additional probationary period following a promotion.

95. FICSA suggested that the Commission also consider at its next session an item devoted to good governance and the role of staff associations/unions in the common system.

96. CCISUA noted that the General Assembly had often emphasized the need to ensure an appropriate career development scheme for staff, even as it called for the need to contain costs. Particularly when dealing with an expatriate workforce, the concept of indefinite or career appointments was paramount. It was unfair to expect staff members to serve outside of their home countries when organizations were not willing to commit to minimum job security. High percentages of staff on precarious contracts in the United Nations work in an environment of fear and intimidation as the obliteration of indefinite appointments had a dramatic and unfavourable result on the workforce of the United Nations. The organizations should maintain their commitment to staff during any staff reduction exercises and as an obligation, ensure that as a priority every effort be made to retain and reassign those with indefinite status.

97. CCISUA further noted that the trend in national civil services was to retain a core, permanent staff and to employ fixed-term staff for special needs of limited duration. It was believed that continuing contracts, by their very nature, should clearly be without limit and should not be considered renewable based on performance and continuing programme requirements. CCISUA pointed out that certain types of extrabudgetary funding could be misleading as these funds often span a number of years and that this should be adequately reflected. Further, CCISUA believed that fixed-term contracts should be considered for conversion to continuing at the five-year mark, as upheld by the jurisprudence of the Administrative Tribunal.

98. CCISUA was particularly concerned at the abuse in the use of short-term contracts resulting from poor human resources planning. Special assignments for a duration of two years or more should be assigned to the category of fixed-term from the outset. It was also strongly advocated that all staff should have proper health insurance coverage.

Discussion by the Commission

99. The Commission considered that the secretariat's proposal represented a step forward as there had been several previous documents that provided a wealth of information but no structure within which to introduce order to the existing contractual arrangements. The information provided by the secretariat responded to

the Commission's request for a model or catalogue of contracts by proposing relevant descriptions from which an understandable framework could be recommended to the General Assembly. The Commission did not agree with the Human Resources Network's proposal that the document be withdrawn to permit further consideration. The Commission was prepared to receive comments and input from the Network as the debate moved forward; the proposals put forward by the secretariat would be discussed and, provided they were of value, the necessary amendments could be made. Resolution of the issue of contractual arrangements was urgently needed as organizations were all in the process of changing their contractual instruments. In view of the impact of contractual arrangements on conditions of service, the Commission's mandate deriving from its statute to regulate conditions of service in the organizations of the common system meant that action should be delayed no longer.

100. The Commission believed that the subject of contractual arrangements was an important one, which required the cooperation of the Human Resources Network to make the framework a meaningful one. It noted that FICSA and CCISUA were prepared to discuss the secretariat's proposal. The Commission urged the Human Resources Network to take a constructive approach on the matter, noting that all the previous documents presented to the Commission had been prepared in collaboration with the organizations.

101. The Human Resources Network agreed to provide input to the work of the Commission. The Commission decided that proposed amendments emerging from the discussion would be incorporated in a new draft that would be circulated to the organizations and staff representatives before being presented to the Commission by its secretariat at the spring session in 2005.

102. The Commission noted that several organizations had already initiated changes to their contractual instruments and that the three proposed categories appeared to reflect the trend towards the career and non-career structure in most organizations. The Commission considered whether the question of funding was relevant to the award of a continuing contract and expressed the opinion that organizations funded almost completely from voluntary contributions could also apply such contractual arrangements where continued funding was assured. Linking funds to contracts should, however, be included in the document for the purpose of clarity and to alert managers and staff to the connection. In particular, it would be important to allow staff members to clearly understand the status and future of the post, so that there would be no surprises with regard to conditions concerning termination of the contracts.

103. The Commission also considered the use of a probationary period, some members preferring its application for all types of contracts, including progression from one type of contract to another. The opinion was held that a probationary period served to encourage and motivate staff to reach higher levels of performance and that some form of probation should be established for continuing as well as fixed-term contracts. It was noted that the application of a probationary period following promotion had not been addressed in the document and proposed that this point should be considered when the document is revised and discussed with the organizations. It was also noted that appointment to any contractual category including movement from a temporary contract to the fixed-term category should be subject to open and transparent and competitive procedures. Some members

considered that a collegial selection process, where appropriate, could be one of the methods that could be used.

104. The concept of the continuing contract and its interpretation was discussed at some length. Although one perspective favoured the use of open-ended continuing contracts to provide a sense of job security for staff, thereby enhancing organizational performance, other members of the Commission held the view that the definition proposed was flexible enough to cover the idea of continuity within an organization whether through renewable contracts of longer duration or through contractual arrangements without time limits. They furthermore noted that there was a tendency in national civil services to move away from lifetime arrangements and that the international civil service should also take this direction. While it was acknowledged that contracts should not be used as a tool for managing performance, attention to renewal dates seemed to prompt managers as well as staff to discuss, monitor and redress deficiencies in performance. These were actions that lifetime contracts did not support. In fact, reform in some organizations of the United Nations common system appeared to be moving towards the abolition of permanent and open-ended contracts and it would not be appropriate for the Commission to explicitly establish continuing contracts without time limits. It would be sufficient to apply the concept as described in the document without including such a clause.

105. The Commission asserted that reasons for initiating termination procedures should be clearly stated as there could be several conditions for such action and staff should be made aware of them. It noted that processes governing the use of different contractual instruments varied across organizations of the system and that it would be useful to examine the distribution of all staff in the organizations according to contractual categories in order to understand how changes in contractual arrangements would impact on each group.

106. The Commission considered that the views presented should be incorporated in the draft model prepared by its secretariat and that this revised draft should be circulated to organizations and staff for comments and input. At the same time, the number of all staff distributed by contract type would be provided by the Human Resources Network. A final report should be presented to the Commission at the spring session in 2005.

Decisions of the Commission

107. The Commission noted that the question of contractual arrangements had been on its work programme for several years and that significant progress had been made in categorizing contracts across organizations. It decided to:

(a) Report to the General Assembly that there was now a model within which to apply some definition to the varying contractual arrangements across the United Nations common system;

(b) Request its secretariat to refine the model in collaboration with organizations and staff and to provide a revised version as well as information on the distribution of all staff in the organizations by contractual category to the Commission at its sixtieth session (spring 2005);

(c) Provide a final report to the General Assembly at its sixtieth session on the question of contractual arrangements.

C. Mobility/hardship allowance, hazard pay and strategic bonuses

108. In 1989, the Commission had undertaken a comprehensive study and developed the mobility/hardship scheme which was approved by the General Assembly in its resolution 44/198. Subsequent to its establishment, concerns were expressed by the Assembly about the spiralling costs of the scheme as the entitlements of the mobility and hardship scheme were automatically adjusted under the annual adjustment procedure applied to the base/floor salary scale.

109. At its fifty-seventh session (summer 2003), the Commission had requested its secretariat to proceed with a review of the current mobility and hardship allowance and the presentation of alternative approaches to compensation for mobility and hardship in the context of the ongoing pay and benefits review, and to present its findings at its fifty-ninth session (summer 2004). The Commission had also decided to keep the level of payments under the mobility and hardship scheme under close review and to present a final report to the General Assembly at its fifty-ninth session with regard to compensating staff at hardship locations and encouraging mobility. At that time, it would also report on the linkage between the mobility and hardship allowance and the base/floor salary scale.[3]

110. The Commission was presented with a number of options for delinking the mobility and hardship scheme from the annual adjustment procedure applied to the base/floor scale, at its fifty-eighth session (spring 2004), following its request to its secretariat to present alternative approaches to compensation for mobility and hardship in the context of the ongoing review of pay and benefits. It noted that while it was cognizant of the General Assembly's concern at the ever-increasing costs generated by linking the allowance to the base/floor salary scale, it could not consider the linkage issue in isolation. The Commission would have to consider all aspects of the mobility and hardship scheme as well as the mobility and rotation policies of organizations and their effects on career development before it could take a meaningful decision regarding linkage.

111. The Commission therefore decided that the mobility and hardship scheme should be examined in the context of the pay and benefits reform and that its secretariat should also take into account the following considerations in developing proposals for review by the Commission at its fifty-ninth session (summer 2004):

(a) The further development of the following two approaches which would delink the mobility and hardship scheme from the annual adjustment procedure applied to the base/floor salary scale, i.e.:

(i) The establishment of a flat amount for each level of hardship identified in the scheme, i.e., from B to E;

(ii) The establishment of a percentage amount related to each staff member's base/floor salary;

(b) The reconsideration of the hardship component in a broader context, namely, an assessment of risk that would include factors in addition to danger. The adjustment of other benefits, for example, life insurance, to reflect the outcome of the risk-assessment exercise;

(c) The role of hazard pay in determining the appropriate levels of hardship;

(d) The possible separation of the mobility portion of the scheme from the hardship portion. This should include proposals for applying targeted strategic bonuses to enhance mobility and should also address the rental subsidy scheme in this context;

(e) The role of the non-removal element in the scheme;

(f) The cost implications of any proposed realignment/revision of current scheme provisions.

112. At its fifty-ninth session (summer 2004), the Commission was provided with an overview of the reasons for introducing the mobility and hardship scheme as well as a few of the allowances that existed prior to its introduction, indicating that some of the issues surrounding the compensation of staff reassigned to difficult duty stations with which the Commission had grappled in the 1980s were still present today. The Commission also examined the major elements of the present scheme, their role and applicability, and options for possible revision of the scheme.

Views of the organizations

113. The representative of the Human Resources Network recalled that the Deputy Secretary-General, at the opening of the fifty-ninth session (summer 2004), had stated that the United Nations system required a competitive pay system. Compensation should be viewed as a strategic management tool in the key areas of staff recruitment, retention and relocation. The purpose of the mobility and hardship allowance was increasingly relevant in light of changing demographics and the deteriorating security and public health situations existing in many countries, especially when organizations were requiring even greater mobility. Rotation and mobility, core behaviours of United Nations staff, must be rewarded as part of the basic pay package. The review should, therefore, focus on the purpose of the allowance and not be seen as a cost-containment exercise.

114. The Human Resources Network strongly felt that the current system should be maintained as it was in accordance with one of the underlying principles of the review of pay and benefits; it allowed organizations to use pay to achieve their mandates. Any change to the system should be premised on a comprehensive review of the Noblemaire Principle and should certainly not result in the erosion of allowances paid to staff.

115. The representative of the Human Resources Network noted that the information provided on conditions of non-diplomatic expatriates in the comparator, Canadian and German civil services, as well as those of staff in the European Union and the World Bank, was very interesting and underlined the need to undertake the review in a comprehensive manner. It also showed that the United Nations common system was no longer competitive in the international labour market.

116. Regarding the proposals before the Commission, the Human Resources Network was of the view that the link between the hardship element of the mobility and hardship allowance to the base/floor salary scale must be maintained to facilitate greater transparency in understanding and ease in administration. It was appropriate for such allowances to be linked to increases in staff salary scales. It also felt that the current single/dependant rates for the calculation of the hardship allowance as well as the differentiation of hardship amounts on the basis of grade should be maintained. It felt that the payment of a flat rate, irrespective of grade,

would be inequitable because staff at the lower grades would receive far more of an incentive than those at a higher grade receiving the same amount. At a time when organizations were striving to enhance managerial capacity, it would certainly be counterproductive to diminish the compensation of those who assumed leadership functions.

117. The Human Resources Network was also of the view that the hardship scheme must continue to be separated from hazard pay as they serve different purposes. Regarding strategic bonuses, the Human Resources Network stated that, for the movement of staff into hard-to-fill duty stations, the payment of such bonuses should only be used as a targeted intervention along with, and not "in place of" a generalized mobility scheme. The mobility and non-removal elements should not be removed from the matrix or combined to establish one-time payments. It also felt that the introduction of such a change would undermine the entire thrust and objective of the scheme to encourage mobility and could provoke the insidious effect of staff seeking to move every year so as to be eligible for the payment. The representative of the Human Resources Network reiterated that, at a time when a large proportion of staff was expected to be mobile, when health and living conditions in an increasing number of duty stations were very difficult and when staff were increasingly becoming targets of militant groups, it would be wholly unacceptable to propose any measure that would lead to an erosion of that allowance. In its current form, it met organizations' needs.

Views of the staff representatives

118. The representative of FICSA endorsed the statement made by the Human Resources Network. He found it difficult to reconcile the search for cost-saving measures with the efforts under way to seek ways of remunerating staff to enable organizations to attract the staff it needed. He supported encouraging and rewarding staff for service in hardship duty stations, and strongly believed that mobility should go hand in hand with fair incentives and rewards.

119. FICSA agreed with the Human Resources Network that the current scheme, which had been developed in 1989, was working well and that it was an effective strategic tool. It strongly advocated that the allowance not be delinked from the base/floor salary scale nor should its value be reduced. FICSA further maintained that hazard pay was completely separate from the mobility and hardship allowance and should be kept that way. FICSA strongly reaffirmed that hazard pay was not merely a symbolic payment.

120. FICSA found some of the arguments against maintaining the current scheme incredible in that they were predicated on incomplete and inaccurate information about the mobility of staff. FICSA asserted once more that the perceived lack of a mobility culture among staff was simply untrue. The FICSA representative further asserted that the lack of staff awareness about the mobility and hardship scheme or the reasons for it had less to do with the staff member than it did with the information that staff members received from their own human resources department and should not be perceived as a failure of the scheme or used as a rationale for changing the scheme.

121. With reference to the spiralling costs of this scheme, FICSA asked specifically for more information on current costs. FICSA was particularly concerned that,

should a flat rate be introduced for rewarding hardship and/or mobility, the allowance might not be examined or adjusted in a timely manner, as it should be.

122. FICSA agreed with the Human Resources Network that a working group should be set up to further examine this scheme to ensure fair and just compensation for mobility and hardship. Such compensation should take into account present-day realities, which dictated the increased mobility of staff in increasingly difficult duty stations. This had taken a considerable toll on both staff and their families.

123. During the extensive debate on the review of the mobility and hardship scheme, FICSA, in response to the proposal to establish a working group to review the scheme, expressed deep concern about the financial parameters under which the group would work. The parameters were unclear, since earlier in the discussions it had understood that the ultimate aim of examining the present scheme was not to erode benefits but rather to seek ways of containing cost of the scheme. FICSA asserted that any predetermination to delink the mobility and hardship allowance was not in the best interests of staff and would only hamper the work of the working group. While it had initially expressed a willingness to participate in this working group with a proactive, open and creative attitude, it was deeply concerned by and apprehensive about the lack of trust that seemed to exist. FICSA therefore requested that the proposed terms of reference of the working group be made clear and reflect staff concerns, the most important of which was that this allowance should not be eroded.

124. The representative of CCISUA supported the viewpoints of the Human Resources Network and FICSA. He noted, in particular, that staff was completely opposed to any delinking of the mobility and hardship scheme.

Hazard payments to United Nations Relief and Works Agency for the Palestine Refugees in the Near East (UNRWA) area staff

125. The representative of FICSA, on behalf of UNRWA area staff unions in Gaza and the West Bank presented a paper which advocated and justified the payment of hazard pay to staff at these locations who faced increasingly dangerous conditions and are excluded from the current scheme. This presentation not only highlighted the rationale for this request but sought support from the Commission in calling upon those funding United Nations activities in Gaza and the West Bank to secure the necessary funds to ensure the payment of hazard pay to UNRWA area staff.

126. The General Secretary of FICSA added that she had visited the UNRWA area staff earlier in the year and during that time had also engaged in discussions on this issue with the UNRWA Commissioner-General, who had reiterated his support.

Discussion by the Commission

127. In discussing the issue of the mobility/hardship allowance, the Commission recalled that the General Assembly, in its resolution 55/223, had requested the Commission, in the context of the review of the pay and benefits system, to review the firm linkage between the base/floor salary scale and the mobility and hardship allowance and, in its resolution 51/216, had requested the Commission to review further the linkage between the base/floor salary scale and the mobility and hardship allowance, taking into account the views expressed by Member States in the Fifth

Committee of the General Assembly. Commission members asserted the validity of both aspects of hardship and mobility, noting that a major concern of the General Assembly was the increasing costs of the entitlements of the scheme because it was linked to the base/floor salary. They considered it worthwhile to revisit the purpose of the mobility and hardship scheme, and concluded that one of the major objectives was to get the right person in the right place at the right time.

128. The ability of the current system to meet that objective was questioned by the members of the Commission, particularly as it appeared that payments that were made to staff under the mobility element did not provide any particular incentive to staff for mobility. This perception was partly substantiated by an incomplete study of a consulting firm hired by the Human Resources Network. This firm was retained to conduct an attitude survey to obtain the views of staff on the mobility and hardship allowance. The consultant had observed, based on a preliminary presentation of data that, in many instances, staff were not clear on the payments they were receiving under the scheme or why. In an earlier study by ICSC, its consultant had concluded that there was no culture of mobility in most parts of the United Nations system.

129. The Commission held the opinion that the primary incentive for staff mobility was career advancement and that the management of the mobility scheme should be approached differently from the scheme that compensated for hardship, because the concepts were fundamentally different in spite of their history. The view was that although hardship had been equated with mobility in the past, they were not equal elements nor were they intrinsically linked, contrary to the organizations' belief. Mobility was obligatory as a condition of service, while hardship was a result of difficult conditions on assignment. The Commission therefore considered it entirely logical to separate the two concepts as they were distinct from each other and should be considered each on its own merit. An appropriate approach would be to distinguish between three major elements for which compensation could be considered:

(a) Relocation — related to costs of moving and settling in a new location;

(b) Hardship — arising from conditions of life and work;

(c) Incentives to reward a move.

130. During the extensive debate on the methodology and process for evaluating duty stations according to the conditions of life and work, it was proposed that the evaluation process could perhaps benefit from the direct contribution, during the annual review process, of duty-specific information from nationals of the country. Other members did not consider the proposal to be practical in view of the costs and administrative difficulties involved in inviting nationals from a wide range of countries to the annual review meetings. The current process was seen as an objective and thorough one, with expert information received from a variety of sources, including the United Nations Security Coordinator's Office and the United Nations Medical Service and evaluated through the working group comprising members of the ICSC secretariat, the organizations and staff. The title of the working group (Tripartite Working Group) was too restrictive in the opinion of some members of the Commission, and in order to reflect the equal participation of various experts in the process it was decided to rename the review group "the Working Group for the Review of Conditions of Life and Work in Field Duty

Stations". Furthermore, the Commission considered it opportune to refine the categorization for "H" duty stations, as it is applied in connection with the mobility and hardship scheme. The new definition appears in the Glossary of this report.

131. Members of the Commission were emphatic that the intention of the review of the mobility and hardship scheme would not be to seek reduction of benefits for staff but to see how best to support the charter of the organizations through appropriate application of the scheme. They believed that a logical approach would be to delink the scheme from the base/floor salary and to consider flat-rate payments for service in difficult conditions in the field. Commission members considered that the concern expressed by both the organizations and staff over the periodicity of review was unwarranted. They recalled that a regular review procedure had been established for hazard pay when the rate for internationally recruited staff was delinked from the base/floor salary scale. This approach could equally apply to flat rates for the mobility and hardship scheme.

132. To determine if payment under the mobility and hardship scheme had retained their value, that is purchasing power, or had eroded in value over time, the Commission examined the movement of increases of entitlements vis-à-vis the cost of living since the scheme had been established in 1990. The statistics provided by the secretariat showed that the increase in entitlements had outstripped purchasing power by 13 per cent over the years since 1990. It was noted that increases in the base/floor salary scale are tied to the movement of the United States federal civil service salaries which are escalated by cost of labour rather than cost of living index movements. Whenever the base/floor salary scale is adjusted it results in automatic increases in the mobility and hardship allowance. The members therefore concluded that it would be highly desirable to delink the scheme from the current reference point and to examine other approaches to updating the allowances, without eroding staff benefits in the process.

133. Further debate on possible reform of the scheme concluded that the hardship element was fundamentally different from hazard pay and that there would be no justification in linking them. Recognizing that other issues, such as the use of targeted payments to facilitate recruitment at hard-to-fill locations, had still not been addressed, the Commission noted that the complexity of the review warranted the establishment of a working group to examine the range of issues to be discussed, including the option of strategic bonuses, taking into account the various concerns of all parties. In view of the complexity of the subject and to facilitate the work of the working group, the Commission believed it would be imperative to decide on the issue of delinking before turning over the review to the working group.

134. Accordingly, the Commission concluded the extensive debate of the proposals that had been presented by its secretariat on the revision of the mobility and hardship scheme. It believed that it had paid due attention to the express concerns of the General Assembly on the automaticity of movement of the scheme with increases to the base/floor salary, as well as to the concerns of the organizations and staff at the possible erosion of staff benefits in the process of revising the scheme. It was ready to take a decision on the question of separation of the various components of the scheme from each other, and the delinkage of entitlements from the base/floor salary scale. Having reviewed the information before it, the Commission was convinced of the need to delink the mobility and hardship allowance from the annual adjustment procedure. In order to respond to the concerns of the

organizations and staff, it agreed to establish a working group comprising Commission members, representatives from the secretariat, organizations and staff to examine the different elements of the scheme, to propose new approaches and to report on its findings to the Commission at its sixtieth session. The Commission was, however, cognizant of the scope of the task before the working group, as well as the need to ensure the establishment of a cooperative working climate. In order to facilitate its work, it provided terms of reference, which are set out in annex III.

135. The Chairman recalled that this was not the first time that UNRWA had requested the Commission to urge proper payment of hazard pay to the area staff of UNRWA.

136. As in the past, the Commission was obliged to reiterate that responsibility for implementation of payment of hazard pay rested with the Commissioner-General of UNRWA. The Chairman noted that funding had been sought by the Commissioner-General of UNRWA; however, voluntary funds depended upon the will of the donor. In recognizing that this issue was outside its mandate, the Commission nonetheless considered that the problem implied some inequity in the treatment of staff. It reiterated its support that every effort be made to include the relevant funds in the normal salary appropriations or to obtain additional funds from Member States.

Decisions of the Commission

137. The Commission decided to:

(a) Separate the mobility element from the hardship element;

(b) Delink both the mobility and hardship allowances from the base/floor salary scale;

(c) Defer the implementation of the decisions contained in subparagraphs 137 (a) and (b) above until a new system has been put into place;

(d) Establish a working group comprising members of the Commission, its secretariat, organizations and staff to develop various options for compensating staff for service in hardship duty stations and for encouraging mobility, to estimate the cost of those options, and to submit its recommendations to the Commission at its sixtieth session (spring 2005).

D. Hazard pay

138. In section I.D of its resolution 57/285 of 20 December 2002, the General Assembly requested the Commission to reconsider its decision to increase, with effect from 1 January 2003, the level of hazard pay granted to locally recruited staff to 30 per cent of the midpoint of the local base salary scale, taking into account all views expressed by the Member States.

139. At its fifty-seventh session (summer 2003), the Commission considered the request of the General Assembly and, having concluded that the rationale behind its decision to increase the amount of hazard pay was still valid, decided to uphold that decision, which was conveyed in its 2003 annual report to the General Assembly.

140. In section I.D of its resolution 58/251 of 23 December 2003, the General Assembly recalled that hazard pay was a payment of symbolic nature and requested

the Commission to reconsider and decide on a smaller increase of the level of hazard pay for local staff, taking into account the views expressed by Member States, and to report on the implementation of that request to the Assembly at its fifty-ninth session.

Views of the organizations

141. The representative of the Human Resources Network thanked the Commission for its efforts to uphold its decision to increase the level of the hazard pay for locally recruited staff and expressed hope for a successful conclusion.

142. In the ensuing discussions, some organizations proposed that the implementation date be established as 1 May 2004, since decisions of the Commission usually take effect the month following the one in which the decision was taken.

Views of the staff representatives

143. The representative of FICSA expressed disappointment that the decision of the Commission had not been accepted by the General Assembly. He supported the increase in the level of hazard pay granted to locally recruited staff, urged the Commission to accept the proposal of 25 per cent and suggested that it be applied retroactively to 1 June 2003. He also drew the Commission's attention to the fact that area staff of UNRWA were still not in receipt of hazard pay.

144. The representative of CCISUA supported the views expressed by FICSA.

Discussion by the Commission

145. Following careful consideration of the General Assembly's resolution, a vast majority of the members of the Commission expressed their agreement with the Assembly's proposal for a smaller increase in the level of hazard pay for locally recruited staff, to 25 per cent of the midpoint of the local salary scale. While some members could have accepted an earlier implementation date, the Commission, taking into account the views expressed by Member States, decided on an implementation date of 1 June 2004.

146. One member opposed the increase in the level of hazard pay to 25 per cent of the midpoint of the local base salary scale for locally recruited staff. Her view was that hazard pay had always been conceived as a payment of a symbolic nature and had never been intended to be an essential part of the compensation package. Different methodologies were in place for the internationally and locally recruited staff for good reason; equity had always been the Commission's concern. At its fifty-fifth session (summer 2002), the Commission had decided that there was no reason to adjust hazard pay for international staff even though its percentage level vis-à-vis base pay, which was already below that of locally recruited staff, had decreased. Yet, the Commission was in favour of increasing this entitlement for locally recruited staff, which would result in an even bigger difference between the two categories. Locally recruited staff would be receiving 25 per cent of the midpoint of the salary scale as hazard payment, compared with a payment of 17.36 per cent of base/floor salary for international staff. This member was still of the opinion that such an increase was therefore inappropriate and inequitable. This member did not join the consensus on the decision of the Commission.

Decision of the Commission

147. The Commission decided that the level of hazard pay granted to locally recruited staff should be increased to 25 per cent of the midpoint of the local salary scale and that the decision would be implemented with effect from 1 June 2004.

E. Review of the level of the education grant

148. ICSC had approved a methodology for the determination of the levels of education grant in 1992, which was subsequently endorsed by the General Assembly in section IV of its resolution 47/216 of 23 December 1992. In 1997, ICSC modified its earlier methodology and those modifications were also endorsed by the General Assembly in section III.A of its resolution 52/216 of 22 December 1997. The Commission had before it a note by the Human Resources Network on the education grant levels resulting from the application of the above-mentioned methodology. Expenditure data on 12,799 claims for the academic year 2002/03 had been analysed in the 17 individual countries/currency areas for which the education grant was administered.

149. Under the methodology, the trigger point for reviewing education grant levels in a given country/currency area was that 5 per cent or more of the cases exceeded current maximum admissible expenditure levels. For countries/currency areas with few education grant levels, the maximum admissible expenditure adjustment mechanism was triggered only if a minimum of five claims exceeded the existing maximum admissible expenditure limit. The analysis by the Human Resources Network, undertaken in the biennial review cycle, identified 15 countries/currency areas in which that trigger point had been reached (Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Japan, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom of Great Britain and Northern Ireland, United States dollar in the United States of America and United States dollar outside the United States of America).

150. At designated duty stations where educational facilities were either not available or deemed to be inadequate, boarding costs were reimbursed over and above the applicable education grant limit. At all other duty stations, reimbursement of boarding costs at the flat rate, when boarding was not provided by the educational institution or by a boarding institution certified by the school, was determined within the overall limit of the maximum admissible educational expenses. In accordance with the methodology, the normal flat rates for boarding and those for additional reimbursements at designated duty stations should be by the movement of the consumer price indices between the time of the biennial reviews. The analysis had shown that such an adjustment was required for all currency areas with the exception of Belgium, Switzerland, Germany, Finland and Japan.

151. The Commission's attention was also drawn to the situation at UNESCO headquarters in Paris where more and more staff coming to work for the organization did not have a French cultural and linguistic background. This was mainly due to the organization's new rotation policy, the rejoining of the organization by the United States of America and measures to improve the geographical distribution of staff. As a result, a growing number of staff could not integrate their children into French or bilingual public schools, leaving them with two choices: either to send their children to study outside of France, which was

expensive for the organization and the staff member, or to enrol them in an English-speaking international school. UNESCO was promoting a family-friendly policy and therefore would not encourage the separation of children of primary and secondary school age from their families for extended periods of time. On the other hand, enrolling children in local international English-speaking schools resulted in significant out-of-pocket educational expenses for Paris staff, expenses that were proportionally much higher than in most other locations. This was explained by the preponderance of non-international schools, with much lower educational costs than international ones, in education grant claims for France, which drove the level of the education grant ceiling for Paris. The problem was particularly serious at primary and secondary levels, as staff members have virtually no alternative but to choose an expensive local international school. This situation had a growing impact on recruitment and retention in the organization.

Views of the organizations

152. The representative of the Human Resources Network noted that under the present review, a more complete database of education grant claims had been analysed owing to the use of a web-based data-collection system, which had expedited the data processing, reduced the margin of error in data processing and identified more clearly actual total costs of education across the globe.

153. The analysis showed a growing number of countries where expenditures exceeded the current levels of maximum admissible expenses as a result of the increase in the number of international schools in the United States dollar/outside the United States area with fees comparable with the country of origin of schools, namely the United Kingdom and the United States. It also revealed that the introduction of the euro into nine of the currency areas had impacted tuition fees and costs of schooling. The proposed adjustments of the amounts of the grant were aimed at normalizing the levels of the allowance against real costs of education at different currency areas.

154. Referring to the situation of UNESCO staff in Paris, she expressed hope that the proposed adjustment of the maximum admissible expenses for France would help to address the problem before the Commission finalizes its review of the education grant methodology in 2005. It was recalled that, at its fifty-eighth session (spring 2004), UNESCO had drawn the Commission's attention to the situation of its expatriate staff in Paris, as described in paragraph 151 above.

Views of the staff representatives

155. The representative of FICSA stressed the importance of education grant as part of the total package of staff entitlements, welcomed the present review and fully endorsed the proposals of the Human Resources Network. He was pleased to see the increase in the response rate of the current study. This was primarily due to the introduction of the new web-based data-collection system by the CEB secretariat. FICSA was continuing to work to encourage staff to provide the fullest information possible to ensure the accuracy of reporting on this issue.

156. FICSA was also pleased that the situation of expatriate staff working at UNESCO headquarters in Paris had been drawn to the Commission's attention and hoped that it would be addressed in a meaningful way.

157. FICSA seriously cautioned against any prescribed list of schools that would effectively dictate where children should study.

158. The representative of CCISUA supported the proposals of the Human Resources Network. She believed that the moderate increases recommended would alleviate the extra cost for the staff brought about by the disparity in the exchange rate of the euro and the United States dollar.

159. She stated that staff members in Brindisi, Italy, were faced with a particular problem, as there were no schools in close proximity that offered an English curriculum. The current education grant only covered 47 per cent of the total cost of tuition and boarding. The moderate increase proposed would increase the grant to 53 per cent and would be an encouragement to staff members.

Discussion by the Commission

160. In addressing the proposals of the Human Resources Network, the Commission reviewed both the movement of school fees and the percentages of claims over the maximum admissible expenses and concluded that adjustments should give greater weight to the movement of expenses and fees. Since expenses and fees did not increase by the same amount, judgement was required in the final determination of the level of the maximum allowable expenses. Care had to be taken to ensure that both of these factors were taken into account in a pragmatic and reasonable way. In addition, while the freedom of staff members to choose the most suitable education for their children was not being questioned, this did not mean that the organizations had to subscribe to that choice in an absolute and automatic manner in terms of covering the cost of that education. In this regard, the notion of reasonableness of admissible expenses had to be considered in determining the grant ceilings. In view of the above considerations, the Commission believed that some of the proposals before it needed to be revised.

161. With regard to boarding proposals, the Commission noted that, in accordance with the methodology, the flat rate for boarding and the additional flat rate for boarding had been updated by the movements of the consumer price index between the date of the most recent adjustment and the date of the current review.

162. Turning to the specific countries/currency area groupings, the Commission noted that while some euro zone countries had separate ceilings for the education grant levels, others, like Greece and Portugal, were included in the United States dollar/outside the United States area. The latter zone also included a wide array of countries with no apparent similarity in terms of education expenses. In this context, the appropriateness of such country grouping as a United States dollar/outside the United States area was questioned. The view was also expressed that all euro zone countries should be treated on an equal basis. It was further suggested that common system headquarters locations like Canada, with almost 500 education grant claims, should be reported separately. The Commission intended to address all these issues during the review of the methodology for determining the level of the education grant that was currently under way.

163. The Commission was sympathetic to the difficult situation faced by some UNESCO staff in Paris. It believed, however, that although some remedial action needed to be taken, the 82.2 per cent increase for the education grant ceiling (up to a maximum allowable expenses level of €16,999) for France as originally proposed

was excessive and could not be justified in the overall context of the methodology. It was felt that a less drastic increase for France was appropriate as an immediate relief measure, which, coupled with the methodology review proposals, which ICSC intended to consider at its next session, should address the problem.

164. The Commission reaffirmed that the education grant should remain an expatriate entitlement. It was suggested in this regard that the definition of expatriation should be revisited. The view was expressed that the expatriate status should be accorded only to staff living and residing outside their country of origin. In this context, there was specific reference to staff working in Geneva and living and residing in France. It was recalled that the Commission had considered this issue previously and had concluded that it was largely a legal issue that had not yet been resolved. Accordingly, current legal requirements would need to be taken into account in determining the expatriate status of staff members. It was further recalled that in 2000, the Commission had reported to the General Assembly on the legal issues involved and had requested the Assembly to address the issue with the other legislative bodies of the common system. The Assembly had acted on the Commission's request and the matter now rested with the legislative bodies of the common system. As this issue had not yet been resolved, there appeared to be a need to bring the matter once again to the attention of the General Assembly.

165. The Commission noted that the system-wide cost implications of the proposed increases in the maximum admissible expenditure levels were estimated at $2,200,000 per annum.

Decision of the Commission

166. The Commission decided to recommend to the General Assembly that:

(a) In Austria (euro), Belgium (euro), Denmark (euro), France (euro), Germany (euro), Ireland (euro), Italy (euro), Japan (yen), Netherlands (euro), Spain (euro), Sweden (euro), Switzerland (Swiss franc), United Kingdom (pound sterling), United States dollar in the United States of America and the United States dollar outside the United States of America, the levels of maximum admissible expenses and the maximum grant should be set as shown in annex IV, table 1;

(b) The maximum amount of admissible expenses and the maximum grant should remain at the current levels for Finland and Norway;

(c) The flat rates for boarding to be taken into account within the maximum admissible educational expenses and the additional amounts for reimbursement of boarding costs over and above the maximum grant payable to staff members at designated duty stations should be revised as shown in annex IV, table 2;

(d) The amount of the special education grant for each disabled child should be equal to 100 per cent of the revised amounts of the maximum allowable expenses for the regular grant;

(e) Special measures should be maintained for China, Indonesia, Romania and the Russian Federation, which would allow organizations to reimburse 75 per cent of actual expenses up to and not exceeding the level of the maximum admissible expenses in force for the United States dollar area inside the United States of America;

(f) All of the above measures should be applicable as from the school year in progress on 1 January 2005.

167. The Commission also decided to reiterate its recommendation to the General Assembly that the Assembly may wish to request the organizations to bring the matter of the payment of the education grant to staff members living in their own countries to the attention of their governing bodies with a view to harmonizing the staff rules and regulations along the line of those of the United Nations.

F. Review of pensionable remuneration

168. The General Assembly, in section II, paragraph 6, of its resolution 51/217 of 18 December 1996, requested ICSC, in full cooperation with the United Nations Joint Staff Pension Board, to undertake in 2002 further comprehensive reviews of the methodologies for the determination of the pensionable remuneration of staff in the Professional and higher categories, and for the adjustment of pensionable remuneration between comprehensive reviews, and to submit recommendations thereon to the General Assembly at its fifty-seventh session (2002). In 2001, the Commission decided to reschedule the comprehensive review of pensionable remuneration to 2004, owing to its heavy work programme, related primarily to its ongoing review of the pay and benefits system.

169. At its fifty-eighth session (spring 2004), the Commission was presented with a note prepared by its secretariat that provided background information and proposed an outline for the issues to be addressed in the review.

170. At its fifty-ninth session (summer 2004), the Commission welcomed the Chief Executive Officer of the Pension Board who introduced a note containing the views of the Pension Board on this item. It included specific modalities for the review and a detailed timetable. The items the Pension Board considered included:

(a) Non-pensionable component;

(b) Double taxation;

(c) Reverse application of the special index for pensioners (at high-tax locations);

(d) Impact of steep devaluation of local currency and/or high inflation.

In addition, the Board considered that income replacement ratios, United States/United Nations pension benefit comparisons and the impact of the pay and benefits review on pension benefits also needed close attention in the review.

171. The Board proposed a collaborative work schedule extending from the fall and winter of 2004-2005 to the completion of joint Commission/Pension Board recommendations to the General Assembly in 2006. In the context of the review the Board recommended a formal joint ICSC-Pension Board Working Group and a Contact Group to facilitate communication prior to the establishment of the Working Group.

Views of the organizations

172. The Human Resources Network supported the proposals by the secretariat of the Commission regarding the review of the pensionable remuneration. It also took note of the views of the Pension Board on the review.

Views of the staff representatives

173. In a joint statement, both FICSA and CCISUA thanked the ICSC secretariat for the document and the work behind it. The staff representatives also noted the complexity of the topic. It was recalled that the topic to be addressed by the working group was the pensions of the staff. FICSA and CCISUA requested that their representatives be members of the working group.

174. FICSA and CCISUA also indicated that they supported the terms of reference and timetable for the review as outlined in the Pension Board's report. They considered that final recommendations in 2006 should reflect the views of all parties concerned.

Discussion by the Commission

175. The Commission noted that during previous reviews there was close consultation and cooperation between the Commission and the Board so as to ensure that eventual recommendations made to the General Assembly were supported by both entities. In that regard, the Commission expressed concern that the Board was not represented at its fifty-eighth session (spring 2004). The Commission recalled that in the past, joint working groups had been established, often consisting only of staff drawn from the two secretariats. It suggested that such a joint working group again be established and that the working group prepare the necessary documentation for the Commission's review.

176. The Commission noted that the current review would represent the first comprehensive review of the common scale of staff assessment adopted in 1996. The Commission, in close consultation with the Board, wanted to assure itself that it was operating as intended. Since the establishment of the common scale of staff assessment, the Commission had on a biennial basis reviewed the movement of taxes at the headquarters duty stations. It noted that the scale had not required any necessary adjustments since its establishment in 1996. It had agreed, however, that at the time of the next review, it would again review the scale so as to ensure appropriate adherence to the income replacement methodology. The Commission also noted that following the conversion of the World Tourism Organization (WTO) into a specialized agency at the end of 2003, Madrid became the eighth headquarters of the United Nations common system. The Commission therefore addressed the question of whether tax data relevant for Madrid should be included in the calculations of the common scale of staff assessment as well as in the biennial calculations to update the scale.

177. The Commission recalled that at the time of the previous review there had been a discussion of whether tax deductions applicable to employees or to retirees should be used in the calculations. No agreement had been reached at that time and the Commission agreed to address the issue at the time of the current review. It also noted the need to examine the replacement ratio in relation to the contributory service.

178. The Commission further recalled that over the years comparisons between United States pensions and income replacement values and those of the United Nations had been made. The federal Civil Service Retirement Scheme (CSRS) of the United States, a defined benefit plan, represented the main basis for the comparison with UNJSPF in comprehensive reviews until 1990. The Federal Employees Retirement System (FERS), a defined contribution plan, was introduced as of 1 January 1984 by the United States federal civil service, and at the time of the 1996 review, an actuarial analysis of CSRS and FERS vis-à-vis the Pension Fund was made. The Commission recalled that at the time of the 1996 review, the United States FERS scheme was applicable to approximately 50 per cent of federal civil service staff while CSRS covered the remaining 50 per cent. Some members of the Commission noted that the proportion of participants in the Federal Employees Retirement System, applicable to all new entrants since January 1984, had most likely increased since 1996 as CSRS participants had retired. Those members felt that the increase in FERS participants should be taken into account at the time of the pension comparison between the United States and the United Nations. In that regard, the Commission agreed that actuarial analysis of the pension benefits from the Pension Fund scheme and those applicable to the staff of the comparator service should again be carried out. Some members felt that in addition to the actuarial comparisons of benefits provided by the pension schemes, a "cost to employer" approach should be utilized.

179. The Commission noted that the Pension Board had proposed the consideration of several issues to the review, in addition to those identified by the Commission. It noted, however, that all of the additional items had been considered in previous reviews in one form or another. Accordingly, it considered that another examination of the issues would be appropriate. However, the Commission expressed concern about its own schedule and the number of items it would need to address in 2005 and 2006. It noted in this regard that in 2005 it would have two sessions of two weeks each. It expressed the view that it was impossible for it to complete all of the items on its agenda for 2005. Accordingly it considered that some prioritization of items would be necessary.

180. The Commission expressed the view that the interrelationship between the pay and benefits review and pensions issues needed to be carefully considered, particularly in the context of the pilot study on broadbanding and pay-for-performance and when reviewing pensionable remuneration. It noted, however, that the pilot study results would probably not be available in 2006 together with the results of the study on pensionable remuneration and would make linking of the two studies difficult.

Decisions of the Commission

181. The Commission decided to concur with the proposals of the Pension Board with regard to the Terms of Reference of the Working Group and modalities for cooperation.

G. Common scale of staff assessment

182. In 1996, ICSC, in close cooperation with the United Nations Joint Staff Pension Board, recommended a common scale of staff assessment for the

Professional and higher categories and the General Service and related categories for the determination of pensionable remuneration levels of both categories. In its resolution 51/216, the General Assembly approved the recommended scale with effect from 1 January 1997. At that time, the Board recommended and the Commission concurred that the scale should be updated, as necessary, every two years, based on changes in average taxes at the headquarters duty stations. At its fifty-ninth session (summer 2004) the Commission therefore examined changes in taxes at the duty stations concerned since its most recent consideration of this item. The data showed that average taxes had increased or decreased only minimally at the relevant income levels between 2003 and 2001.

Views of the organizations

183. The representative of the Human Resources Network supported the recommendations of the ICSC secretariat that the current common staff assessment scale should continue to apply until the time of the next comprehensive review of pensionable remuneration.

Views of the staff representatives

184. The representatives of FICSA and CCISUA supported the continued use of the current common scale of staff assessment until the time of the next comprehensive review of pensionable remuneration.

Discussion by the Commission

185. The Commission recalled that WTO had been converted into a specialized agency at the end of 2003, and consequently Madrid had become the eighth headquarters of the United Nations common system. As a result, the Commission had decided that the tax data relevant for Madrid should be included in the calculations of the common scale of staff assessment as well as in the biennial calculations to update the scale.

186. The Commission noted that the current updating of the tax information which served as the basis for the common scale had shown minimal changes from the tax information reviewed two years earlier. It further considered that the development of the scale had involved the application of some judgement, which would of necessity again need to be applied in the revision of the scale. It therefore considered that the noted changes in the level of taxation at the relevant duty stations would not require an adjustment at the current stage.

187. The Commission also recalled that it had identified the issue of the use of tax deductions related to employees or retirees for the construction of the staff assessment rates for review at the next comprehensive review of pensionable remuneration.

Decisions of the Commission

188. The Commission decided to report to the General Assembly that the current common scale of staff assessment should continue to apply and should again be reviewed at the time of the next comprehensive review of pensionable remuneration, which was scheduled for 2005-2006.

H. Paternity leave

189. The Commission had been provided at its fifty-fourth session (spring 2002) with general information on the development of policies designed to reconcile work and family life responsibilities, including information on the introduction of paternity leave provisions in a number of countries and in some organizations of the common system. It had requested its secretariat to provide information and to prepare specific proposals on (a) eligibility; (b) combination of paternity and maternity leave; (c) reduction of paternity leave if the spouse is a staff member; (d) when paternity leave should be granted; (e) appropriate time lapses between two paternity-leave entitlements; (f) maximum number of paternity-leave entitlements; (g) extension of paternity leave provisions to adoption.

190. In response to this request, the Commission at its fifty-eighth session (spring 2004) was presented with additional information and proposals for establishing the duration of paternity leave, separate conditions for this entitlement and measures for dealing with exceptional circumstances.

Views of the organizations

191. The representative of the Human Resources Network noted that staff well-being was a cornerstone of the United Nations system's human resources strategies. These strategies included a number of social benefits covering a range of issues that allowed for the strategic management of a mobile, expatriate workforce that was separated from extended family and community and was increasingly expected to work in difficult duty stations, which often had non-family status, or at the very best were frequently less than desirable in terms of child and maternal health.

192. She recalled the principles enshrined in the policy statement on work family agenda which was adopted by CEB in the 1990s: "Measures which allow employees to meet their family responsibilities alongside those arising out of their work are recognized to be all the more important in an expatriate setting if organizations are to maximize their utilization of human resources. If they do not, they will be viewed as poor employers, lose competitivity, efficiency and, in the long run, effectiveness."

193. She noted that some of the core values of some organizations of the United Nations system mandated, inter alia, furthering the well-being of children, supporting the family and advocating the responsibility of men in all aspects of reproductive health. Therefore, the Network questioned whether it was appropriate for the Commission to adopt an approach for United Nations staff which ignored the policies and practices that their organizations espoused to the outside world.

194. Special leave with full pay for adoption purposes for up to eight weeks was not new. It had been in existence for nearly 20 years, when it was first introduced by UNDP and the United Nations Children's Fund (UNICEF), and subsequently by other organizations, following very extensive discussions on the matter by the Consultative Committee on Administrative Questions between 1980 and 1985 and endorsement by the former Administrative Committee on Coordination. At the time of its introduction, not many national Governments had adopted provisions on adoption. This was a matter of social policy: the example of the few more progressive countries had therefore been taken into consideration. Organizations

more recently had recognized that there was the requirement, out of equity, to offer the same benefits to biological fathers.

195. She referred to the mission statement of the Beijing Platform for Action following the Fourth World Conference for Women in support of the character of the new relationship between men and women, which indicated that sustained and long-term commitment in a transformed partnership based on equality between women and men was essential to allow them to work together for their children and society to meet the challenges of the twenty-first century.

196. Given the diverse needs of the organizations, including the duty stations and environments in which they operated, paternity leave was an issue which demanded flexibility rather than a prescriptive approach by the Commission. The Human Resources Network strongly objected to the recommendations contained in the Commission's document, which ran counter to human resource efforts under way in the majority of the organizations. There was no reason why paternity leave should be shorter than adoption leave. Moreover, the principle of paternity leave should be based on enabling bonding between father and child, rather than simply a question of the location of the parent, and there was no empirical evidence in the document on why it should be limited to two weeks. Furthermore, there was an ever-increasing body of research evidence that demonstrated that such family-supportive policies were directly correlated to employees' lower absenteeism, reduced the incidence of stress-related illness, improved employee morale, and resulted in additional output due to increased focus and motivation as well as a reduction in recruitment and retention problems.

197. In the ensuing discussions, several organizations put forward their individual objections to the proposal for setting the level of paternity leave at two weeks and for extending paternity-leave provisions to adoption leave. They noted that in several organizations the entitlement had already been set at up to eight weeks and that there had indeed been specific reasons for doing so. Staff were often assigned to remote locations, did not have the benefit of an extended family, and as expatriate staff they needed to be able to have the option to be with their spouses at a time when their support was required. To these organizations, paternity leave was a visible element of gender-supportive policies that allowed staff to balance family concerns with dual careers.

198. They noted that, while staff were not always in a position to utilize their annual leave entitlements because of work demands, it was clear that paternity-leave entitlement was not likely to be a recurring entitlement given the low birth rate in organizations and the fact that the birth of a child was a special occasion that would occur perhaps once in a lifetime for any staff member. Most importantly, they believed that the entitlement could not be a "one-size-fits all" entitlement in view of the varying mandates, programmes and operational requirements of the organizations in the common system. Since the introduction of this entitlement, no negative impact on organizational performance had resulted.

199. Finally, the organizations noted that the adoption-leave entitlement should not be subsumed under the provisions for paternity leave because the process of adoption and biological parenting were different; adoption usually involved older children and greater difficulties for parent and child to adapt to the new situation. Thus, any reduction after more than 20 years of practice would be an unacceptable regression.

Views of the staff representatives

200. In their joint statement, the representatives of FICSA and CCISUA expressed their support for the position of the Human Resources Network. As some organizations had already introduced the practice of granting eight weeks paternity leave in exceptional circumstances, it was not now appropriate to reduce that benefit in any way. The benefit would not be used often, and it was a cost-effective way to attract and retain staff. Some flexibility should be allowed.

201. In further discussions, the FICSA representative supported the proposal made on the basis of current practice at the WFP as a starting point for further discussion. In addition, FICSA insisted that adoption leave should remain at eight weeks and encouraged all organizations to grant adoption leave.

202. CCISUA fully supported flexibility on paternity leave but would accept the compromise solution based on WFP practice. The representative of CCISUA also expressed strong concern about reducing existing entitlements in those organizations that had already adopted eight weeks such as UNESCO and noted that the reduction would have a negative impact on staff.

203. Drawing attention to an exceptional circumstance that would require the spouse to give birth in a third country, outside the home country and duty station, when medical facilities were inadequate and the pregnancy encountered complication, FICSA regretted that the administrations were not entrusted with the requested flexibility to grant eight weeks of paid paternity leave in exceptional circumstances.

Discussion by the Commission

204. The Commission noted that in 2002, it had agreed that paternity leave could be introduced in the common system, that it should be provided under a uniform policy and should be of reasonable duration, and that once it was introduced it should supersede existing paternity leave entitlements in those organizations that had already introduced them. A few Commissioners considered that the proposal made by the secretariat for a duration of two weeks leave for paternity purposes was reasonable, taking into account the existing leave package comprising 30 days of annual leave, 7 days of uncertified leave and 10 days for United Nations holidays. Furthermore, while two weeks should be considered as the maximum entitlement, this amount could be extended to accommodate special circumstances if such circumstances were specified. In expanding on the proposal, they considered that the provision for two weeks could be extended to allow for a maximum of four weeks paid leave in exceptional circumstances, such as incapacity or death of the mother, with a further four weeks of unpaid leave, if necessary.

205. Some members of the Commission considered that due to the variation in current practices it would be appropriate to try to achieve a uniform policy. They noted that some organizations had established the current practice of eight weeks after careful examination of the requirements of both organizations and staff and that therefore some kind of compromise would be necessary to accommodate those needs. They were of the opinion that a reasonable compromise would be to establish a leave entitlement of up to four weeks for staff in headquarters and up to eight weeks for staff in the field.

206. During further discussions, a number of organizations made statements on the average number of cases and costs per year. They assured the Commission that the application of this entitlement had no impact on operational capacity and negligible financial implications, owing to the low incidence of usage. Most Commission members therefore took the position that a compromise which would provide for paid paternity leave of up to four weeks for headquarters and family duty stations and up to eight weeks for non-family duty stations could be considered.

207. It was further agreed that adoption leave could not be dealt with in the same way as paternity leave as the bonding of adoptive father to child differed from the bonding of biological father to child. Adoption leave should therefore be treated differently. The provisions for paternity leave should not be extended to adoption leave, which should be retained at the current levels in those organizations in which they existed.

208. One member opposed the majority decision to introduce a minimum of four weeks and a maximum of eight weeks of paternity leave. This member believed it was important to balance the needs of the father upon birth of a child and the needs of the organization. Her concern in the case of the organization was not the dollar cost; rather it was the operational impact on the organization caused by the extended absence. This same member was of the opinion that two weeks of paternity leave, as proposed by the ICSC secretariat, with an additional period of two weeks for special circumstances, was more than adequate. She believed this was true, given the already generous leave provisions available to the staff. First, the mother is given four months of maternity leave. These four months can be shared with the father. In addition, the father and mother, if they are both common system staff, are each entitled to six weeks of annual leave, another two weeks of United Nations holidays, one and one-half weeks in personal days as well as unlimited sick leave. In sum, upon birth of a child the mother is granted more than six months leave with pay and the father is granted two months paid leave (without any paternity leave). This member concluded that it was excessive to grant an additional one to two months of paternity leave for the father, thus bringing his leave for the year to a maximum of four months, and therefore refused to join the consensus.

209. Members of the Commission agreed that the administrative details for the grant of paternity leave, such as the maximum number of leave entitlements to be granted and the time lapse between the grant of a second period of leave, should be at the discretion of the individual organization. The Commission noted that the organizations, in reporting on the implementation of the decisions and recommendations of the Commission, should present information on the application of these discretionary arrangements.

Decisions of the Commission

210. The Commission decided, in the light of existing provisions developed individually by organizations for paternity leave and the statements from organizations, that the cost of the entitlement was negligible and that its application had no effect on operational capacity; and in consideration of the need to maintain good staffing/management relations, decided that the compromise discussed that allowed flexibility to organizations in applying the provisions for paternity leave would be appropriate.

211. The Commission therefore decided that:

(a) A duration of up to four weeks paid leave for paternity purposes should be granted to staff at headquarters and family duty stations and up to eight weeks for staff at non-family duty stations or in exceptional circumstances, such as those mentioned in paragraph 204 above, including death of the mother, inadequate medical facilities or complications encountered at time of pregnancy;

(b) The provisions outlined in subparagraph (a) above should supersede the existing paternity leave arrangements in organizations;

(c) The provisions for adoption leave should not be subsumed under the provisions for paternity leave;

(d) Administrative details covering the management of paternity leave (e.g., the maximum number of leave entitlements) should be determined at the level of the organizations.

Chapter IV

Conditions of service of the Professional and higher categories

A. Evolution of the United Nations/United States net remuneration margin

212. Under a standing mandate from the General Assembly, the Commission continued to review the relationship between the net remuneration of the United Nations staff in the Professional and higher categories in New York and that of United States federal civil service employees in comparable positions in Washington, D.C. (hereinafter referred to as "the margin").

213. The Commission was informed that the net remuneration margin for 2004 had been estimated at 110.3 on the basis of the approved methodology and existing grade equivalencies between United Nations and United States officials in comparable positions.

Views of the organizations

214. The representative of the Human Resources Network noted that the margin still showed significant differences between individual grade levels. The Network was concerned that the continuing low margins for the senior levels were having an adverse impact on organizations' efforts to strengthen their managerial capacities at those levels. The Network felt that it would be appropriate to recommend a differentiated increase in order to adjust the current significant differences between levels.

Views of the staff representatives

215. The representative of FICSA took note of the margin forecast for 2004. While presenting a historical movement of the margin over the past 20 years, he noted that during the previous five years the average of the overall margin had been 111.2 and during the previous 10 years it had been 112.5 i.e., substantially below the desirable mid-point of 115. According to the latest CEB personnel statistics, approximately 63 per cent of the current Professional staff had been serving 10 years or less in their respective organizations; therefore, more than half the Professional staff had earned less than what they were entitled to. FICSA proposed that, in order to compensate for the fact that the margin had been considerably below the mid-point for the past five years, the margin would need to be maintained at an average of 118.8 for the next five years or at 117.5 for the next 10 years to arrive at an average margin of 115 over a period of 10 and 20 years, respectively.

216. The representative of CCISUA supported the statement of FICSA.

Discussions by the Commission

217. The Commission recalled that, for the purposes of margin calculations, Washington, D.C., the base of the United States federal civil service, had been used as a reference point. Since 1994, the United States general schedule had consisted of two components: a general increase linked to the employment cost index and a locality pay that applied only to specific areas of the continental United States, one of which was Washington, D.C. The actual year-to-year (2003 to 2004) gross

increase for Washington, D.C., taking into account both the employment cost index and locality pay adjustment, was 4.42 per cent, effective 1 January 2004.

218. The Commission noted that, on the basis of the approved methodology and the available information as at the beginning of May 2004, the net remuneration margin for 2004 had been estimated at 110.3.

Decision of the Commission

219. The Commission decided to take note of the margin forecast of 110.3 between the net remuneration of the United Nations staff in grades P-1 to D-2 in New York and that of the United States federal civil service in Washington, D.C., for the period from 1 January to 31 December 2004. Details of the margin calculation are contained in annex V to the present report.

B. Base/floor salary scale

220. The concept of the base/floor salary scale was introduced with effect from 1 July 1990 by the General Assembly in section I.H of its resolution 44/198 of 21 December 1989. The scale is set by reference to the General Schedule salary scale of the comparator civil service. Periodic adjustments are made on the basis of a comparison of net base salaries of United Nations officials at the mid-point of the scale (P-4, step VI, at the dependency rate) with the corresponding salaries of their counterparts in the United States federal civil service (step VI in grades GS-13 and GS-14, with a weight of 33 per cent and 67 per cent respectively).

221. The Commission was informed that, in view of the movement of the federal civil service salaries in the United States of America as from 1 January 2004, an adjustment of the United Nations common system's scale of 1.88 per cent would be necessary in 2005 in order to maintain the base/floor scale in line with the comparator's General Schedule (base) scale.

222. The Commission was also presented with information regarding the possibility of lowering of the base/floor salary scale, with the remaining portion of salary provided through the post adjustment system, to address the issue of duty stations having no or very low post adjustment.

Views of the organizations

223. The Human Resources Network supported the proposal to adjust the base/floor salary scale by 1.88 per cent on a no-loss/no-gain basis by consolidating 1.88 per cent of the post adjustment into the scale. The Network requested that the effective date for the adjustment be brought forward to 1 January 2005. This was fully justifiable in view of the fact that the comparator's scale had been revised on 1 January 2004. Thus, adjustment of the common system scale should not be delayed further.

224. While noting that it would be "technically feasible" to decrease the base scale to address the issue of real salary increases occurring at duty stations with a very low or zero post adjustment, the Human Resources Network underscored its strong concern about the possible legal implications of such a decrease. Moreover, the Network considered that such an approach would result in a further erosion of the Noblemaire principle and would further impede the ability of organizations to

recruit and retain staff from countries with base salaries higher than those of the common system.

Views of the staff representatives

225. The representatives of FICSA and CCISUA supported the statement made by the Human Resources Network.

Discussion by the Commission

226. The Commission noted that the comparator's General Schedule (base) salary scale had been increased as from 1 January 2004 by 2.7 per cent on a gross basis. It also recalled that the United Nations base/floor salary scale had been maintained at its 2003 level in 2004 since it was slightly higher than the 2003 General Schedule. However, the 2004 General Schedule increase, combined with the effect of tax changes, had resulted in GS-13/GS-14 salary levels that were 1.88 per cent higher than the current base/floor salary scale. The Commission noted that the adjustment in the base/floor salary scale would be implemented through the use of the standard method of consolidating post adjustment multiplier points on a no-loss/no-gain basis.

227. The Commission noted further that the issue of the adjustment of staff assessment rates to address imbalances in the Tax Equalization Fund had been discussed with representatives of the United Nations Secretariat, who had indicated that no adjustment was necessary. As a consequence, no change in the staff assessment rates would be required.

228. The Commission recalled that the month of March had been used as the effective date for adjustment of the base/floor salary scale at the request of the organizations in the 1990s to avoid retroactive payments. As there was no longer any technical difficulty with adopting a scale effective 1 January and because the current scale had not been adjusted since 1 January 2003, the Commission agreed with the request of the Human Resources Network to recommend a base/floor salary scale with an effective date of 1 January 2005. Adjustment of the base/floor salary scale on 1 January 2005 by 1.88 per cent, through the usual method, would have the following estimated annual financial implications:

	United States dollars
(a) For duty stations with low post adjustment that would otherwise fall below the level of the new base/floor	264 700
(b) In respect of mobility/hardship allowance	1 426 000
(c) In respect of the scale of separation payments	318 200
Total annual financial implications	**2 008 900**

229. The Commission recalled that under the existing methodology, it carried out annual reviews of the level of the base/floor salary scale, which represented the minimum salary payable to all staff at all duty stations. Those reviews usually resulted in the General Assembly increasing the scale and consolidating into it a number of multiplier points of post adjustment on a no-loss/no-gain basis. That process was intended to ensure that minimum United Nations salaries were updated

to take account of changes in the pay level of the comparator and to ensure sufficient funding of the Tax Equalization Fund. It was recalled that the updating of the base/floor salary scale was never intended to provide for increases in take-home pay. However, it resulted in salary increases for duty stations with low or zero post adjustment. The Commission recalled that over the years it had expressed concern over this issue and had requested its secretariat to study the feasibility of lowering the base/floor salary scale to limit the number of duty stations at which such increases occurred.

230. The Commission noted that the number of duty stations with low or zero post adjustments varied from year to year and that the number of those duty stations was affected not only by the revision of the base/floor salary scale, but also by the exchange rate of the United States dollar against other major currencies. The number of such duty stations increased when the dollar was strong. This was due largely to the fact that the post adjustment system was based on the United States dollar and, as such, when the dollar was strong compared to other currencies, international staff at those duty stations needed fewer dollars to maintain their purchasing power vis-à-vis New York. The opposite was true when the United States dollar was weak. The Commission noted that there was a strong correlation between the strength of the United States dollar and the number of duty stations with low or no post adjustment. When the United States dollar was strong, budget savings accrued simultaneously to the organizations; both sides of this equation should be considered. It was illustrative that at the present time only one country (Afghanistan) currently had zero post adjustment.

231. The Commission noted from the information presented by its secretariat that it was technically feasible to lower the base/floor salary scale without jeopardizing the net remuneration of United Nations staff. However, some members believed there might be legal implications to the lowering of the base/floor salary scale and that before a decision could be taken those issues needed to be addressed in full. Other members were of the view that the scale could be lowered as long as transitional measures were taken to honour the acquired rights of staff.

232. The Commission was also informed that lowering the base/floor salary scale could limit the ability of organizations to attract specialists from countries with base salaries higher than those of the United Nations common system. The Commission requested that statistical data be provided demonstrating that the lowering of the base/floor would lead to difficulties in recruiting from certain countries.

233. Regarding the Tax Equalization Fund, the Commission noted that lowering the scale would require increasing staff assessment rates in order to finance the Tax Equalization Fund at current levels. Such an increase may not be justified by reference to the tax levels of those member States that tax the emoluments of their nationals.

Decision of the Commission

234. The Commission decided to recommend to the General Assembly that the current base/floor salary scale for the Professional and higher categories be increased by 1.88 per cent through standard consolidation procedures, on a no-loss/no-gain basis, with effect from 1 January 2005. The proposed base/floor salary scale is shown in annex VI to the present report.

235. The Commission requested its secretariat to submit to it at its sixty-second session (spring 2006) a further report, including all legal and financial implications, on the possibility of lowering the level of the base/floor salary scale, with the remaining portion of salary provided through the post adjustment.

C. Review of the level of children's and secondary dependant's allowances

236. ICSC reviewed the children's and secondary dependant's allowances in accordance with the decision it had taken in 2001 that it would continue the regular biennial review of these allowances in parallel with the review of the pay and benefits system.

237. For its current review, the Commission had before it details of the calculations relating to the percentage change that had been recorded in the tax abatement and social legislation payments for the headquarters duty stations between 1 January 2002 and 1 January 2004.

238. The Commission's attention was drawn to the fact that, with WTO becoming a specialized agency of the United Nations at the end of 2003, Madrid had become the eighth headquarters location of the common system. Although General Assembly resolution 47/216, which had set the procedure for calculating the children's and secondary dependant's allowances, provided for using the data for the seven headquarters duty stations, it was suggested, in the spirit of that resolution, to include the Spanish tax regime in the calculation of the allowances.

Views of the organizations

239. The representative of the Human Resources Network took note of the data provided and concurred with the proposal to maintain the children's and secondary dependant's allowances at their current levels.

Views of the staff representatives

240. The representatives of FICSA and CCISUA took note of the data provided and also agreed with the proposal of the secretariat.

Discussion by the Commission

241. The Commission noted the conversion of WTO into a specialized agency. It was generally agreed that Madrid should be included as the eighth headquarters location used in calculating the levels of the children's and secondary dependant's allowances.

242. The Commission also noted that the tax calculation procedure for each of the eight headquarters duty stations locations had been reviewed at the local level by organizations based in those locations. On a weighted average basis, since January 2002, the payments resulting from tax abatements and social legislation had grown by 0.15 per cent. Application of this percentage to the existing allowance would yield an annual allowance of US$ 1,939, which was $3 per year higher than the present amount. The difference between the current amount and the amount after the application of the 0.15 per cent adjustment was, consequently, less than $1 per month. Considering the negligible impact of the adjustment, there was general

agreement that the current levels of the children's and secondary dependant's allowances should remain unchanged. In this context, the Commission recalled that the previous review of the children's and secondary dependant's allowances had resulted in a negative percentage of minus 0.57 per cent, which, if it had been applied, would also have necessitated an adjustment of less than $1 per month. In view of this, the Commission had decided at that time not to recommend a change in the levels of the children's and secondary dependant's allowances.

243. The Commission recalled that, at its thirty-ninth session (spring 1994), it had decided that the movement of the weighted average of tax abatements and social legislation payments at the headquarters duty stations used for the establishment of the children's allowance should be applied to adjust the secondary dependant's allowance. Since there was no change in the children's allowance, it was agreed that the secondary dependant's allowance should also be kept at its present level.

Decision of the Commission

244. The Commission decided to recommend to the General Assembly that:

(a) Starting from the current review, the amounts of children's and secondary dependant's allowances should be determined on the basis of the value of tax abatements and social security payments in the countries of the eight headquarters duty stations, including Spain;

(b) That the current levels of the children's and secondary dependant's allowances should remain unchanged;

(c) The current list of duty stations where the allowances are payable in local currencies be maintained for the time being pending a review of the methodology to determine the dependency allowances;

(d) Dependency allowances payable to eligible common system staff be reduced by the amount of any direct payments received from Governments in respect of dependants.

D. Review of the Noblemaire principle, including total compensation comparisons

245. In its annual report for 2001, the Commission noted the significant resources needed to conduct the studies under the Noblemaire principle in the mid-1990s. Therefore, given the effort that would be required for the pay and benefits exercise, it had decided at the time to postpone the Noblemaire studies. Now that the pilot study on broad banding/pay-for-performance was well under way, the Commission decided to turn its attention to the review of the Noblemaire principle.

246. The level of salaries in the Professional and higher categories in the United Nations common system is determined on the basis of the Noblemaire principle, named after the Chairman of a Committee of the League of Nations which had considered the basis for setting the level of salaries for an international civil service. Under the current application of the principle, the total compensation of the Professional and higher categories is determined by reference to the civil service of the country with the highest total compensation package. This is to enable the international civil service to recruit from all its Member States.

247. Over the last several years, organizations of the common system have complained that salaries in the common system have not kept pace with those of the private sector and other international organizations and that they have difficulty recruiting and retaining staff with the necessary qualifications. They also have argued that over the next 5 to 10 years, the majority of the organizations of the United Nations common system would be forced to recruit a large number of new staff members to replace the current staff as they reached retirement age. It was therefore a challenge for the organizations to attract and retain new staff with the highest standards of efficiency, competency and integrity, as required by Article 101 of the Charter of the United Nations. While the level of salaries was not the only factor for attracting high-quality staff to international organizations, salaries were important when competing for new staff. Therefore, it was suggested that it might be an opportune time to review the Noblemaire principle.

248. One of the first tasks of ICSC, upon its inception in 1975, was to examine the Noblemaire principle. After a relatively quick review of the Noblemaire principle, the Commission had come to the conclusion that there was no alternative to the principle. However, the political and economic environments have changed since then. The present United Nations system is no longer a self-contained institution operating autonomously as a leader in world peace/world affairs. Instead, it had become a partner, sharing the stage with civil society and a host of social movements, non-governmental organizations and private enterprises, in which, more and more, its objectives were being achieved through alliances with entities outside the system.

249. Moreover, the work processes and employer/employee relationships have undergone significant changes since the founding of the United Nations. These changes did not happen overnight. They had evolved in response to a rapidly changing world, a world that was ever smaller and in which nations were increasingly interdependent; in short, a world that was characterized by a drive towards globalization. The relevance of this change for the United Nations organizations was paramount and had been accompanied by changes in the perception of the role of the management of human resources.

250. As there appeared to be no difficulty with the basic tenet of the principle itself, a number of fundamental points were raised with regard to the application of the principle with a view to enhancing the competitiveness of the United Nations system. The relevance or otherwise of international organizations in the application of the Noblemaire principle were addressed, including changing world realities; comparisons with the public or private sector; home or expatriate civil services; the expatriation factor; and the size of the margin.

251. The Commission gave consideration to the following options for application of the Noblemaire principle: (a) maintaining the current application of the Noblemaire principle; (b) using international organizations as comparators; (c) using the private sector of the country with the highest pay levels as a comparator; (d) using a combination of public and private sectors in a country or group of countries with the highest pay levels; (e) using the highest non-diplomatic expatriate civil service as comparator; (f) modifying the margin range to fully reflect comparator expatriation benefits.

Views of the organizations

252. The representative of the Human Resources Network thanked the ICSC secretariat for its documents, which were both comprehensive and thoughtful and which recognized the concerns voiced by executive heads and the Network at previous sessions of the Commission.

253. She recalled that the Network had stated many times in the past that the non-application of the Noblemaire principle had seriously undermined the competitivity of the United Nations common system. The Network welcomed the further development of some of the options set out in the secretariat's documentation. She noted that it would be no surprise to the Commission that the option which recommended the maintenance of the current (non) application of the Noblemaire principle, was wholly unacceptable. The Network advocated a combination of the use of other international and regional intergovernmental organizations and the highest non-diplomatic expatriate civil service as a comparator to common system competitivity. In this regard, she noted that recommendation 11 of the Panel on the strengthening of the international civil service supported this approach.

254. In response to the view of some members of the Commission that certain international organizations were not appropriate for reference purposes because they were not international organizations with universal membership, the Human Resources Network expressed the view of the organizations that comparison with one national home civil service was inappropriate as the organizations were competing in the international public sector labour market.

255. The Network did not believe that the modification of the margin range to fully reflect the current comparator's expatriation benefits as an initial correction mechanism was a solution to the underlying problem of the lack of competitivity in the pay and benefits of the common system with other international and regional organizations.

256. In response to the Commission's views that the organizations had no recruitment difficulties, organizations argued that recruitment difficulties were one indicator and that absolute proof of difficulties in attracting and retaining high-calibre staff from all countries, including those with highest pay levels, would be difficult and perhaps impossible to obtain. Organizations argued that they would never find out who had not applied for their vacancies.

Views of the staff representatives

257. The representative of FICSA noted that while the principle was simple, its application had proved more difficult in that many issues were connected with this, e.g., how the margin was and is determined, whether comparisons should take into account the public and private sectors and whether the expatriate factor should be included. The world had changed and thus a review was warranted. However, this did not preclude looking at a number of past reviews, which had contained good proposals.

258. FICSA stated that while maintaining the current application of the Noblemaire principle was not an acceptable option, a combination of the use of other international and regional intergovernmental organizations and the highest non-diplomatic expatriate civil service was a possibility. FICSA believed that there should be some study of the private sector, at least as a reference point. Although it

was tempting to adjust the margin, an arithmetic or formula change was not enough. FICSA was aware that other international organizations paid higher salaries to their staff. Data of these organizations were available and it would be worthwhile to examine that.

259. The representative of FICSA proposed that a working group be established to examine the application of Noblemaire more closely. He also noted that an open mind should be kept when examining the principle and its application, and also suggested that it might be worth looking at some options that may have been discarded in the past. Whichever option was chosen, a clear rationale for its choice should be provided.

260. FICSA noted once more that the situation was now very different from what it was when this idea originated in the League of Nations and was further debated in the newly created United Nations in the late 1940s. Several factors, such as a greater number of pay scales in the United States civil service and emergency measures with special pay scales, had caused more problems vis-a-vis the present comparator.

261. FICSA informed the Commission that there had never been complete agreement on the application of Noblemaire and, in a realistic world, the application of this principle had been very elusive. It was for this reason that in 1992 FICSA had prepared an exhaustive review of remuneration in the United Nations system ("The United Nations: An uncompetitive employer") which it was planning to update. FICSA supported the necessity to study recruitment and retention information in the common system. The real reasons why people leave need to be made known. FICSA noted that too often, for diplomatic reasons, staff did not always honestly reveal why they choose to leave the United Nations.

262. The representative of CCISUA supported the statement made by FICSA. He also noted that, while reviewing the Noblemaire principle, as set forth in Article 101 (3) of the United Nations Charter, i.e., "the paramount consideration in the employment of the staff and in the determination of the conditions of service shall be the necessity of securing the highest standards of efficiency, competence and integrity", should be kept in mind. The review should not be transformed into yet another cost-containment exercise.

Discussion by the Commission

263. The Commission recalled that, since its establishment, it had reviewed the Noblemaire principle and its application on a number of occasions. The last review of the principle had been conducted in 1995 and at that time it had concluded that a wide variety of formulations had been used at different times, but the current practice of using the best paid national civil service formulation, combined with a reference check with international organizations, appeared to be sound as long as the process of identifying the comparator civil service was handled on a timely basis.

264. The Commission indicated that the intent of the Noblemaire principle was to ensure that United Nations compensation was competitive and that organizations were able to recruit from all Member States including the one with the highest-paid civil service. Given this clear objective, the Commission did not see the need to re-examine the principle. On the other hand, the question that needed to be answered was whether the United Nations was still competitive as an employer and if it was

not what should be done to rectify the situation. The Commission recalled that in 1995 it had agreed that under the Noblemaire principle, all conditions of service should be such as to attract nationals from the highest-paid national civil service.

265. While the Commission acknowledged that the Noblemaire principle served the organizations well, world realities had changed and the Commission had to look into the future. It was nevertheless felt that the Noblemaire principle should not be set aside. Rather, the Commission should be considering how to make it continue to serve the common system. More facts needed to be presented and more analyses needed to be conducted before the Commission could determine whether the current application of the principle was effective. The Commission had repeatedly expressed the view that salaries alone were not an appropriate measure of whether the United Nations was a competitive employer. The Commission was of the opinion that the appropriate means of judging whether the United Nations was a competitive employer was to evaluate recruitment and retention in organizations to identify any difficulties that might exist in attracting and retaining highly qualified staff. In this regard, the organizations had not responded to its repeated requests for such analysis over the last 10 years.

266. On the question of whether United Nations salaries had retained their competitive edge, a number of views and ideas were advanced. The Commission recalled that on a number of occasions they had requested the organizations to provide them with data related to recruitment and retention difficulties. To date, the organizations had not been able to provide these data to the Commission. Consequently, the conclusion was that the organizations had no recruitment and retention difficulties and that the United Nations common system was a competitive employer.

267. A number of questions were also raised regarding the practice of supplementary payments by a number of Member States to their nationals working in the United Nations common system. Some believed that those payments were a clear indication of inadequate pay levels in the United Nations common system. Others noted that the last time the Commission had studied this practice, only a small number of countries were still providing such payments to their nationals working for the United Nations.

268. The Commission recalled that on previous occasions it had stated that comparison should be made to the highest paid national civil service and felt that that approach should be continued. If it turned out that the current comparator was no longer the highest paid civil service under the approved methodology then the Commission would identify another national civil service that would meet the requirements of the methodology in terms of size, job design etc.

269. While some members of the Commission favoured the use of the highest paid non-diplomatic expatriate civil service instead of the national civil service, the majority of the Commission felt that the use of the expatriate service would not allow for an appropriate comparison. Those members pointed out that in non-diplomatic expatriate services staff members usually were at a specific duty station for three or four years and were thereafter rotated to the home country or to another duty station. Some United Nations staff members, however, remained for a considerable amount of time at the same duty station.

270. Regarding the use of international organizations as comparators for purposes of measuring common system competitivity, the Commission recalled that in 1995 it had decided that those organizations could be used as reference points given the similarity of their functions with the United Nations system. The Commission also recalled that at the time of the 1995 review, the issue of the limited membership as well as the different mandates of these institutions made them inappropriate comparators for an international workforce such as that of the United Nations. Some members were of the opinion that the Organization for Economic Cooperation and Development and the European Union were not appropriate for reference purposes because they did not have universal membership. These members also noted that in the Bretton Woods financial institutions the administrative costs were paid out of revenues; this was not the case in the United Nations common system, in which the costs were paid from the budgets of the Member States.

271. One of the options considered by the Commission was adjustment of the margin range to fully account for the expatriation factor. The Commission, however, felt that in view of the opinions expressed in paragraph 269 above that that option should not be pursued.

272. One of the options considered was the use of a mix of public and private sectors. The Commission was of the view that the parameters of public and private sectors were not comparable and rejected that suggestion. It noted that while the salaries in the private sector might be higher than those in the civil service, there were other elements that should be taken into account, such as security of tenure, pensions and medical insurance schemes, which were better in the public service than in the private sector.

Decisions of the Commission

273. The Commission decided to report to the General Assembly that in applying the Noblemaire principle its current practice of using the highest-paid national civil service, combined with a reference check with international organizations, was sound. The Commission had on its work programme for 2005-2006 a study to determine the highest-paid civil service, including a total comparison between the United Nations and the United States federal civil service.

E. Establishment of grade equivalencies between the United States federal civil service and the United Nations system

274. The Commission has been conducting regular reviews of grade equivalencies every five years between positions in the United Nations common system and the comparator, the United States federal civil service. The establishment of grade equivalencies is a key component of net remuneration margin calculations, as their technical soundness and accuracy are fundamental to the correct measurement and comparison of net remuneration salaries in the comparator service and in the United Nations common system. The periodicity of reviews has been designed to take into account developments in remuneration and other structural changes in both systems. The last grade equivalency study was carried out in 2000.

275. At its fifty-ninth session (summer 2004), the Commission was informed of a number of changes in the United Nations common system and the United States federal civil service. Accordingly, a re-examination of the procedure used for

determining grade equivalencies was required. In taking note of the approach to be used to conduct the grade equivalency study between the United Nations common system and the comparator, it was pointed out that the proposed procedure of relating United Nations grades to actual salaries of the members of the United States Senior Executive Service (SES) was questionable.

276. The Commission decided that:

(a) A grade equivalency study should be conducted for the revised structure of the comparator's SES as soon as possible using two comparison methods, one which assigned a midpoint or average salary to all members of United States SES positions and the other which would link the common system grades with the comparator's performance-based SES salaries;

(b) The results of the study should be reported to the Commission at its session in the second quarter of 2005;

(c) A grade equivalency study should be conducted for all other comparator pay systems in 2005, taking into account the experience gained from the approaches outlined in paragraph 276 (a) above, and the results reported to the Commission at its session in the first quarter of 2006.

F. Post adjustment matters: report of the Advisory Committee on Post Adjustment Questions (ACPAQ) on its twenty-sixth session

277. ICSC had before it the report of ACPAQ on its twenty-sixth session, which was held from 9 to 16 February 2004 at the headquarters of WHO in Geneva. The document contained a number of recommendations that covered a range of technical questions relating to the next round of place-to-place surveys expected to take place in 2005, as well as some other issues. The recommendations dealt with:

(a) The review of the list of items and specifications to be used in the next round of place-to-place surveys;

(b) Use of duty station-specific weights for the education component of the post adjustment index;

(c) Use of the Internet as a source of price data;

(d) Procedures for reducing possible bias and strengthening quality control in price data collection;

(e) Rules and procedures for reviewing rental subsidy thresholds;

(f) Other business, covering the use of external housing data for rental index calculations.

Views of the organizations

278. The representative of the Human Resources Network expressed its appreciation to ACPAQ and the ICSC secretariat for their work and for the document before the Commission, which was a professional presentation of the issues. The Network endorsed the recommendations contained in the document. The representative of the Network also thanked the ICSC secretariat for the continued

technological improvements that had been made, including the use of automated tools for data collection.

Views of the staff representatives

279. The representatives of FICSA and CCISUA expressed their satisfaction with the work done by ACPAQ and the business-like cordial atmosphere during meetings. The Committee produced useful results in reviewing the cost-of-living methodology for the next round of place-to-place surveys, which are to start in 2005. Regarding the issue of external rents in Rome, which was brought to the attention of the Advisory Committee by the Food and Agriculture Organization of the United Nations (FAO), it was noted that there was an anomaly in IOS/Eurostat rental data compared to rental data collected from the staff. The representative of FICSA informed the Commission that staff unions and associations would appreciate greater transparency in the rental data collection conducted by the Interorganizational Study Section on Salaries and Prices of the Coordinated Organizations/Eurostat.

280. On the subject of minimizing potential bias in price data collection, it was noted that it was equally important to minimize the perception of bias. It was hoped that the process of reducing bias would be carried out "in the right spirit" and that it would retain the confidence of staff.

Discussion by the Commission

281. The Commission reviewed in detail the recommendations of the Advisory Committee. When discussing the issue of minimizing potential bias associated with price data collection, members of the Commission expressed the view that the role of the secretariat in the initial development of the list of outlets should be strengthened and welcomed the recommendation of the Advisory Committee in this respect. The Commission noted that updated guidelines and procedures aimed at minimizing potential bias associated with price data collection would be developed by the secretariat and submitted for review by the Advisory Committee and for the approval of the Commission in 2005. Finally, the Commission expressed its appreciation for the work of the Advisory Committee and its secretariat in this regard.

Decision of the Commission

282. The Commission decided to endorse the recommendations of the Advisory Committee as contained in its report on its twenty-sixth session. The Commission also agreed that, in preparation for the next round of headquarters duty stations surveys, the Committee should hold its next meeting in 2005.

Chapter V

Conditions of service of the General Service and other locally recruited categories: survey of best prevailing conditions of employment in Madrid

283. On the basis of the revised headquarters methodology, the Commission conducted a survey of best prevailing conditions of service for the General Service category of staff in Madrid, with a reference date of 1 April 2004.

284. The salary scale for the General Service category of staff working in the organizations of the common system at Madrid had been frozen for some time preceding the survey which was the first ever application of the ICSC headquarters methodology to that location. The resulting salary scale of the Madrid-based General Service staff, which is reproduced in annex VII to the present report, is 11.59 per cent higher than the current World Tourism Organization scale. After the recommended adjustment in the General Service salary scale, its overlap with the net remuneration (net base salary plus post adjustment) of the Professional staff in Madrid would be between P1/IV and P1/V levels. Such an overlap is considered acceptable.

285. The Commission also recommended revised amounts for dependency allowances, determined on the basis of tax abatements and payments by the Government of Spain and surveyed employers. The total cost of the Commission's recommendations is estimated at US$ 209,000 per annum.

Chapter VI

Action taken by the Commission under article 14 of its statute: report on gender balance in the United Nations system

286. Under its standing mandate to review the status of women in the organizations of the common system, the Commission requested its secretariat to present a statistical report on gender balance at all levels, including the ungraded officials of organizations. The data provided related to the distribution and recruitment of staff by gender and level in the organizations, by category of post and region of origin.

Views of the organizations

287. The Human Resources Network expressed its appreciation to the Commission's secretariat for the document, which provided clear indicators of the sustained efforts organizations were making to achieve greater gender balance in the secretariats of the United Nations family of organizations. However, despite those efforts, much remained to be done. In this regard, the representative of the Human Resources Network informed the Commission of the work being carried out under the aegis of the CEB.

288. The Inter-Agency Network on Women and Gender Equality convened its third annual session in February 2004. The session was chaired by the United Nations Special Adviser on Gender Issues and Advancement of Women. With regard to attainment of the goal of gender balance set by the United Nations system, the Network reaffirmed its commitment to working with the High-Level Committee on Management to achieve that goal, particularly in view of the preliminary findings of a mandated study on the probable cause of slow advancement in the improvement of the status of women in the United Nations system.

289. In response to General Assembly resolution 57/180 of 18 December 2002, the Office of the Special Adviser on Gender Issues and Advancement of Women commissioned the first phase of an analysis of the probable causes of the slow advancement in the improvement of the status of women in the United Nations system, with a view to elaborating new strategies for achieving gender parity. The first phase analysed the situation in the United Nations Secretariat, and a detailed report of the results of the study, including recommendations, was to be presented to the General Assembly at its fifty-ninth session.

290. The preliminary findings of the study indicated that the recruitment system should be more proactive and targeted. While women in the General Service category constituted a potential pool of candidates, the competing objective of geographical balance along with other factors were undoubtedly linked to that point. Moreover, the study demonstrated that women's mobility was more likely to be restricted by work/life issues, especially family constraints and dual career issues. Unfortunately, flexible working arrangements were still perceived as a barrier to efficiency and productivity by too many managers. Furthermore, there were no rewards for those managers who excelled in this regard. There was also the perception among some staff that managers were not held sufficiently accountable for reaching gender parity targets.

291. The Human Resources Network looked forward to hearing the thoughts of the Commission on what it perceived to be the barriers to gender balance and what incentives it considered might help further that objective.

292. Representatives of the organizations acknowledged that a major challenge lay in increasing the representation of women at the higher levels and, in particular, in retaining women in service, as many tended to separate from the organizations through resignation or early retirement. The representative of the United Nations Industrial Development Organization stated that problems with transmission and reception had prevented the inclusion of statistics for that organization in the report. He informed the Commission that women represented 48 per cent of staff at the Professional level and 60 per cent at the level of D-1 and above. He noted that the organization faced a high attrition rate for women, as approximately 90 per cent of separating staff on early retirement were women. Based on exit interviews, it was clear that the pattern was largely attributable to women's greater awareness of the need for an appropriate work/life balance.

Views of the staff representatives

293. The representative of FICSA welcomed the progress made in moving towards gender balance in the common system. He noted that women still remained outside the decision-making levels. FICSA expressed its belief that until work/life issues and problems were more adequately addressed, particularly for the working mothers, 50/50 gender representation would be difficult to achieve.

294. The representative of CCISUA stated that the Committee aligned itself with the views expressed by FICSA and the Human Resources Network, placing on record the Committee's grave disappointment at the treatment of women in the General Service category in terms of promotional opportunities and expressing its support for them.

Discussion by the Commission

295. The Commission expressed appreciation for the document of the secretariat, noting that it contained a broad range of very useful information. Members were also pleased to see the institutional arrangements that had been put in place to support gender policies in the organizations. However, members expressed disappointment that the rate in the advancement of women had slowed over the years and suggested that it was time to examine the barriers to faster improvement. The Commission also noted the low targets set for achieving gender balance in some organizations. It was explained that these organizations had started out with a low representation of women in their workforce and that these targets represented achievable goals. In connection with gender balance, observations were also made on the need to have better geographical representation both between regions and within regions.

296. Some members of the Commission expressed an interest in seeing overall staffing in absolute terms for comparative purposes and in receiving more information on the representation of women by region and country. It was noted that difficulties had been encountered in obtaining specific data on women by country of origin from some organizations, and the Commission welcomed the statement from the Human Resources Network that the information could be obtained more readily from the database maintained by CEB.

Decisions of the Commission

297. The Commission expressed disappointment that the rate in the advancement of women had slowed over the years and that only limited progress had been made in the organizations. It requested its secretariat to provide a report on further progress at its sixty-second session in 2006, including information on the representation of women by region as well as on organizations' gender plans and their development, implementation and effectiveness.

Chapter VII

Other business: progress report on the development of a Senior Management Service

298. The development of a Senior Management Service for the United Nations common system has been addressed by the Commission over the last several years. In its most recent review of the matter in 2003, it reported to the General Assembly that it was continuing to address the issue and that developmental work was "proceeding under the auspices of CEB".[4] It further reported that it would continue to monitor the work of CEB on this item and indicated that a progress report from CEB was expected at its fifty-eighth session (spring 2004). At its fifty-ninth session (summer 2004), the Commission received the progress report requested, in which CEB informed the Commission that developmental work on the Senior Management Service had continued with the involvement of the United Nations System Staff College, a set of core competencies had been established for the Service, agreed common criteria had been established for the use of executive heads in determining the positions to be included in the Service and that CEB had approved the establishment of the Service in April 2004.

Views of the organizations

299. In introducing the progress report to the Commission, the representative of the Human Resources Network recalled that discussion on the concept of a senior management service in the common system arose in the initial stages of the review of the pay and benefits system in view of the key role of managers in leading organizational change initiatives. The Service was seen by the organizations as a critical component in moving forward major organizational reforms, strengthening the international civil service and improving overall organizational performance by enhancing leadership capacity, signalling the professionalization of management, and creating a common managerial culture throughout the system. Experience in many public and private organizations had indicated that focusing on the leadership group could have a powerful, positive impact on the rest of the staff.

300. The representative noted that in 2002,[5] the Commission had decided that (a) the introduction of a Senior Management Service had merit in building leadership and management capacity in support of major organizational reform directed at improving overall organizational performance; (b) the Service would not constitute a new subsidiary organ, advisory body or category of staff; (c) the Service would not require a special pay and benefits package; the pay and benefits applicable to Professional staff would apply to the Service; (d) the Service would consist only of high-level managerial positions; (e) posts would be identified for inclusion based on criteria approved by ICSC; (f) managers who occupy posts meeting the ICSC criteria would be in the Service; (g) the Service would have a common set of core competencies applicable for recruitment, selection, development and performance management; (h) the executive heads would be responsible for selection, evaluation and other aspects of managing the members of the Service; the Service would be open to recruitment from within and outside the common system; (i) it would monitor the implementation of the modalities and report to the General Assembly in that regard.

301. The representative of the Human Resources Network further recalled that, since ICSC had indicated that the establishment of a Senior Management Service would have merit in building management capacity, but would not require any special pay and benefits package or constitute a new category of staff, which would require intergovernmental approval, the organizations had informed the Commission at its fifty-sixth session (spring 2003) that they had decided to continue the development of a Senior Management Service under the auspices of CEB. At its fifty-sixth session (spring 2003), the Commission had noted that developmental work on the issue was proceeding under the auspices of CEB. It had not felt that consideration of the Senior Management Service would need to be undertaken in the context of the pay and benefits review. However, some Commission members had been of the view that its early establishment would facilitate the reform of the human resources management system. It had requested the organizations to inform it of progress made. At its fifty-seventh session (summer 2003), the Commission had been informed that work was continuing on the development of the Senior Management Service. The Commission had taken note of the information provided and requested organizations to inform it of progress made.

302. On the basis of the developmental work undertaken in inter-agency working groups, taking into account the guidelines set out by ICSC, the executive heads of the system in CEB under their prerogative had endorsed the establishment of a Senior Management Service in April 2004. It was envisaged that the Service would be developed progressively. As a first step, organizations had agreed on common criteria and a set of core managerial competencies to promote a shared understanding of the qualities and skills required for an effective manager in the United Nations system. Work had begun, with the involvement of the United Nations System Staff College, on the development of a system-wide programme to build managerial and leadership capacity and strengthen partnerships in the system. It was intended that further managerial tools would be developed to support members in carrying out their managerial functions, such as web sites, publications and discussion forums to share best practices. The CEB machinery would be responsible for supporting the Senior Management Service, including monitoring and reporting progress.

303. The representative of the Human Resources Network emphasized that the development of a Senior Management Service, as approved by CEB, did not create any new category of personnel or change the conditions of service of staff in any way. While at the outset the proposal to create a Senior Management Service had been made in the context of the pay and benefits review, it was no longer seen in that context. It was conceived as a management tool to help executive heads to strengthen managerial and leadership capacity, which was a priority for organizations, in order to improve overall organizational performance. The activities of the Service would supplement efforts by individual organizations to strengthen managerial competencies, such as those outlined by FAO and UNICEF, signal the professionalization of management, build a common managerial culture, avoid duplication in management development efforts, and promote increased learning and mobility at senior levels across the system.

304. With respect to the authority of the Commission in this matter, the Human Resources Network indicated that organizations would welcome further recommendations to Executive Heads on the development of the service, in accordance with article 14 of the ICSC statute. The Network considered that article

10 of the ICSC statute did not apply in this case as, in accordance with ICSC decisions in 2002, there was no impact on conditions of service, compensation or contractual arrangements which would require the Commission's action under article 10. All of the elements of the service, as approved by the CEB, were within the guidelines given by the Commission in 2002, and constituted non-core elements of the Human Resources Framework adopted by the Commission in 2000.

Views of the staff representatives

305. The representative of FICSA took note of the progress report of CEB on the Senior Management Service. FICSA pointed out that staff had always desired improved skills for managers. This principle was not debatable. FICSA indicated that it would follow with interest how appointments to the Service were made. It also looked forward to the management training which would be offered, particularly the efforts being made by the United Nations System Staff College. FICSA would follow the issue with great interest to see how it developed.

306. The representative of CCISUA took note of the report on the Senior Management Service. The proposed management training was a welcome measure that CCISUA hoped would permeate to all levels of staff.

Discussion by the Commission

307. The Commission expressed considerable surprise at receiving a progress report on the further development of the Senior Management Service, which informed it that the Service had already been established by the authority of CEB. The Commission noted that, when it had permitted the further development of the Senior Management Service under the auspices of CEB, it had not, at the same time, abdicated its responsibility in this area. In fact, it was clear from the Commission's reports to the General Assembly, both in 2002 and 2003, that it would be monitoring further development of the features of such a Service and what concrete added value would flow from them before reaching any conclusion that it should be established. The Commission did not agree that the establishment of such a service was within the purview of the executive heads. Article 14 of the Commission's statute clearly applied in this case when it stated: "The Commission shall make recommendations to the organizations on career development, staff training programmes, including inter-organization programmes, and evaluation of staff."

308. The Commission discussed the possible establishment of a Senior Management Service in the context of both article 14 and article 10, noting that the recommendations to the General Assembly for the establishment of such a service were the responsibility of the Commission. The Commission noted that one of the objectives of the Service was to promote mobility across the system. The Commission wondered how that objective could be achieved without affecting conditions of service and thereby falling under article 10, which unambiguously gave the Commission the authority on "the broad principles for the determination of the conditions of service of the staff". The Commission considered the framework and features of the system as described in the CEB progress report to be integral elements of the conditions of service. Contractual arrangements, identified as a core element in the Commission's Human Resources Framework, must also be considered in the development of such a service. It was very clear that the establishment of a Senior Management Service was a core issue which impacted on

the common system and therefore unequivocally fell under the authority of the Commission.

309. Some Commission members reiterated the view that the goals and objectives described for the Senior Management Service could also be attained without the establishment of a separate service. They noted the initiatives being pursued by some organizations with respect to the improvement of managerial competencies of their senior managers. Some viewed the establishment of such a service as possibly having the opposite result from that foreseen under the objectives. They specifically noted that a Senior Management Service might be viewed as a privileged group of staff, which would not heighten the esprit de corps. In addition, it was noted that the criteria for measuring the success of such a service had not been established, thereby making it a matter of judgement as to whether or not the objectives for the Service would be met. Other Commission members reiterated views that they had expressed on earlier occasions that a possible Senior Management Service had merit in building leadership and management capacity. These members considered that the substantive work done thus far by CEB as described in its report would be a good base for further development of the Service.

Decisions of the Commission

310. The Commission decided to take note of the Human Resources Network's progress report on developmental work regarding a Senior Management Service. While acknowledging executive heads' responsibility to take measures to enhance the managerial capacity and performance of their senior staff, members affirmed that the Commission was the only body responsible for recommending to the General Assembly the establishment for the common system of a separate category of staff or such an entity as a Senior Management Service. The Commission requested progress reports on the further developmental work on a Senior Management Service.

Notes

[1] ILO, FAO, UNESCO, ICAO, WHO, UPU, ITU, WMO, IMO, WIPO, IAEA, UNIDO and World Tourism Organization.

[2] IFAD.

[3] *Official Records of the General Assembly, Fifty-eighth Session, Supplement No. 30* (A/58/30), paras. 211 and 212.

[4] Ibid., paras. 87 and 88.

[5] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 30* (A/57/30), para. 80.

Annex I

Programme of work of the International Civil Service Commission for 2005-2006

1. Resolutions and decisions adopted by the General Assembly and the legislative/governing bodies of the other organizations of the common system.

2. Framework for Human Resources Management:

   I. Review of the pay and benefits system:

      (a) Modernizing and simplifying allowances:

         (i) Dependency benefits

            - Spouse benefits (including dependency and single rates, salary structure)
            - Children's allowance
            - Secondary dependant allowance;

         (ii) Separation payments

            - Termination indemnity
            - Repatriation grant
            - Death grant;

         (iii) All leave entitlements;

         (iv) Language incentive;

      (b) Monitoring of the pilot study of broadbanding/pay-for-performance;

      (c) Assessing the implementation of the new Job Evaluation Master Standard for the Professional and higher categories;

      (d) Mobility/hardship allowance, hazard pay and strategic bonuses;

      (e) Education grant: review of the methodology for determining the grant;

      (f) Contractual arrangements.

3. Conditions of service of the Professional and higher categories:

   (a) Base/floor salary scale;

   (b) Evolution of the United Nations/United States net remuneration margin;

   (c) Agenda for the twenty-eighth session of the Advisory Committee on Post Adjustment Questions (ACPAQ);

   (d) Report of the twenty-seventh session of ACPAQ;

   (e) Report of the twenty-eighth session of ACPAQ.

4. Conditions of service of the General Service and other locally recruited staff:
   (a) Survey of the best prevailing conditions of employment at:
      (i) Paris;
      (ii) Montreal;
      (iii) Rome;
      (iv) New York;
   (b) Considerations related to reviewing the Job Classification Standards for the General Service and related categories.
5. Conditions of service applicable to both categories of staff:
   (a) Review of the level of the education grant;
   (b) Common scale of staff assessment;
   (c) Hazard pay — review of the level;
   (d) Mission subsistence allowance;
   (e) Review of pensionable remuneration.
6. Total compensation comparisons under the Noblemaire principle to determine the highest paid national civil service:
   (a) Results of the United Nations/United States grade equivalency studies (SES);
   (b) Results of the United Nations/United States grade equivalency studies (All other grades);
   (c) Conduct a United Nations/United States total compensation comparison;
   (d) Total compensation comparison — Stage I;
   (e) Total compensation comparison — Stage II.
7. Administrative and budgetary matters: proposed budget for the biennium 2006-2007.
8. Implementation by organizations of decisions and recommendations of the International Civil Service Commission.
9. Gender balance in the organizations — a statistical review.
10. Progress report on development of a Senior Management Service.

Annex II

Framework for the pilot study on broadbanding/ pay-for-performance

1. The following represents a summary of decisions taken by the Commission at its sessions from 2002 to 2004 on the framework/modalities for the conduct of the pilot study on broadbanding/pay-for-performance. It is intended as an informational document for those following the progress of the pilot study and, as such, will be updated as required. The updated document will also reflect the most recent decision of the Commission if it supersedes a previous decision. In this context, it should be noted that the pilot study is recognized as being evolutionary, based on lessons learned. It should also be noted that at the time of the Commission's session in July 2004, four organizations had volunteered and had been approved by the Commission for participation in the study (the World Food Programme (WFP), the Joint United Nations Programme on HIV/AIDS (UNAIDS), the International Fund for Agricultural Development (IFAD) and the United Nations Development Programme (UNDP) with a fifth organization (the United Nations Educational, Scientific and Cultural Organization (UNESCO)) seeking the Commission's approval to participate also as a volunteer.

1. Performance appraisal system

(a) A credible and reliable performance appraisal system that is acceptable to all parties concerned was an absolute necessity in moving forward with the study;

(b) Quantitative and qualitative data needed to be provided on the organizations' performance management systems and a critical analysis of the ability of their current performance appraisal systems to differentiate levels of performance, in particular when those systems are linked to pay;

(c) A minimum of three and no more than five rating categories should be used in assessing performance;

(d) Forced distributions of ratings, that is, a predetermined percentage of staff in each rating category, will not be used;

(e) Exact weights for results achievement, competency development and client feedback will be decided by the volunteer organizations in consultation with the ICSC secretariat. Greater weight is to be assigned to results achievement, while competency development and client feedback will receive less weight in determining pay awards.

2. Broadbanding/pay-for-performance

(a) The pilot study should be conducted of one broadbanded structure and related pay-for-performance system (based on the confluence approach). Approval of a broadbanded model for the common system was contingent upon the successful results of a rigorous study;

(b) The one broadbanded model chosen for the study consists of P-1 and P-2 in band 1, P-3, P-4 and P-5 in band 2 and D-1 and D-2 in band 3. The three models chosen to test related pay-for-performance systems and other initiatives and to recognize the differing stages of reform of the organizations are as follows:

Model 1

(a) Salary structure: Band 1 P-1, P-2
Band 2 P-3, P-4, P-5
Band 3 D-1, D-2

(b) Evaluation for determining pay: confluence of factors: performance, competency development and client feedback;

(c) Evaluation and pay decisions: the evaluation of performance will be done annually (competency development and client feedback could be annual or biennial at the discretion of the organizations). Pay decisions to be made in context of evaluations with fixed and variable percentage increases applying to relevant rating categories.

Model 2

(a) Salary structure: Band 1 P-1, P-2
Band 2 P-3, P-4, P-5
Band 3 D-1, D-2

(b) Evaluation for determining pay: current appraisal system enhanced to the extent possible to take into account competencies and client feedback;

(c) Evaluation and pay decisions: to be made in accordance with the current evaluation cycle of the organizations, with fixed and variable percentage increases applying to relevant rating categories.

Model 3

(a) Salary structure: retain the current seven-grade structure with no step increments;

(b) Evaluation for determining pay: current appraisal system enhanced to the extent possible to take into account competencies and client feedback;

(c) Evaluation and pay decisions: to be made annually in accordance with the organizations' current evaluation cycles, with fixed and variable percentage increases applying to relevant rating categories;

(c) Minimum and maximum salaries of the grades in the existing base floor salary scale would be used to establish the minimum and maximum pay for the three pay bands;

(d) Each broadband would be constructed with two salary ranges; one reflecting staff with dependants and one for staff without dependants;

(e) Two techniques would be used to control "grade creep"; first, a staff member's position in the salary range would be taken into account in determining the amount of the performance award and secondly, more difficult performance objectives/competencies would need to be achieved as the staff member moves to the higher end of the salary band.

3. **Performance award payments**

(a) Both fixed and variable percentage salary increases would be used in determining performance awards. A staff member requiring improvement in performance would not receive an increase. Staff members with satisfactory/outstanding performance could receive variable percentages;

(b) Performance awards would be paid in the form of lump sum non-pensionable amounts during the course of the study (note: upon implementation, performance awards would be paid as pensionable salary increases and, for those who would exceed the maximum of the band with the award of the performance amount, in the form of a non-pensionable lump sum);

(c) Performance awards shoud stay within the 2.5 per cent of salary required to keep Model 1 and Model 2 cost neutral, 2 per cent in the case of Model 3 where promotions would continue at the same rate as with the present seven-grade structure;

(d) General guidelines to be provided to the organizations on the process that should be followed in determining overall ratings and salary increase decisions. The guidelines would address the role of committees in reviewing overall ratings and salary increases in order to ensure equity of treatment.

4. **Promotions**

Promotions from one band to the next higher band should result in an increase of 3 to 6 per cent, but not less than the minimum of the higher band.

5. **Baseline information requirements**

(a) Workforce data, results of attitude surveys and ranking distributions under the current appraisal system should be in hand before the pilot study begins;

(b) To the extent possible, client feedback mechanisms and competency development should be in place before the pilot begins. Further development of such evaluation instruments should not delay the study;

(c) Control groups will be established for the studies, preferably within the volunteer organizations;

(d) The volunteer organizations will select the staff to participate in the study in consultation with the ICSC secretariat following the framework established by the Commission;

(e) While Professional staf (subject to new job evaluation standard promulgated on 1 January 2004) represent the basis for the pilot study, General Service staff could be included on the basis of Model 3.

6. **Pilot study volunteer organizations**

(a) The organizations particiating in the pilot study will be limited to those identified and approved by the Commission at its fifty-eighth session, namely WFP, IFAD, UNAIDS and UNDP;

(b) UNESCO's International Centre for Theoretical Physics could participate in the pilot study as a volunteer organization subject to a review of its readiness to proceed with the study on 1 January 2005.

7. Administrative aspects

(a) Each organization must develop a work plan using the template provided by ICSC;

(b) The initial study will be limited to a three-year period. The Commission may extend the study;

(c) A project manager with demonstrated expertise in successful implementation of human resources reforms, such as pay-for-performance and broadbanding, should be brought on board as soon as possible.

8. Criteria for success

The criteria for success should include, inter alia, a cost analysis providing an assessment of financial controls to determine if the controls are functioning as intended and an analysis by gender to determine if any gender bias resulted from the performance pay.

The full criteria for success are attached in the following tables.

Success criteria for United Nations common system pilot study

New approaches					
Broadbanding	*Job evaluation*	*Performance management*	*Expected outcome*	*Measures*	*Data sources*
X[a]	X	X	Understanding and acceptance of new system	Understand ability	Attitude survey
				Acceptance	Attitude survey
				Forms and frequency of communication	Information materials, web page
X	X	X	Effective streamlined system	Ease of use	Interviews, attitude survey, focus groups
				Satisfaction with the system	Interviews, attitude survey, focus groups
				Number of actions disputes/ appeals reduced[b]	Human resources workforce data
				Perceptions of managers and human resources staff	Interviews, attitude survey, focus groups
X	X	X	Increased organizational human resources flexibility	Perceived flexibility	Attitude survey
X	X	X	Reduced administrative workload	Actual/perceived time saving, length of position descriptions	Human resources workforce data, attitude survey
X	X	X	Integrated competency-based human resources system	Use of competencies for all human resources applications	Human resources workforce data
				Perceived relevance of competencies to positions	Attitude survey
X	X	X	Increased supervisory authority/accountability	Perceived fairness of classification authority	Attitude survey
				Perceived accountability of supervisors	Attitude survey

New approaches					
Broadbanding	*Job evaluation*	*Performance management*	*Expected outcome*	*Measures*	*Data sources*
X	X	X	Improved quality of supervisory staff	Employee perceptions of quality of supervision	Focus groups, attitude survey
X		X	Increased pay-performance link	Pay-performance correlations	Human resources workforce data
				Perceived pay-performance link	Attitude survey
				Procedural justice	Tribunal cases, personnel records, ombudsperson/mediator reports
				Complaints, grievances	
X		X	Increased correlations between performance and retention/turnover	Turnover by performance rating category	Human resources workforce data
				Performance rating distribution	
X		X	Differential pay progression of high/low performers	Pay progression by performance rating category, career path, demographics	Human resources workforce data
X		X	Increased pay potential	Pay progression of new hires over time by band, career path	Human resources workforce data
X		X	Effective financial controls	Payout conforms to established budgetary limits	Human resources workforce data
X		X	Obtain gender equity	Correlation of gender and pay awards	Human resources workforce data
X		X	Increased pay satisfaction	Pay satisfaction, internal/external equity	Human resources workforce data, attitude survey, external workforce data
X		X	Increased consistency of ratings through committee review	Perceived fairness of performance appraisal ratings	Human resources workforce data, attitude survey

New approaches					
Broadbanding	*Job evaluation*	*Performance management*	*Expected outcome*	*Measures*	*Data sources*
				Consistency of rating distributions (performance appraisal)	Human resources workforce data
		X	Improved performance feedback, communication	Satisfaction with performance ratings	Attitude survey
				Employee trust in supervisors	
				Adequacy of performance feedback, communication of expectations	
				Performance expectations	
		X	Alignment of organizational and individual performance expectations and results	Linkage of performance plans to strategic plans/goals	Human resources workforce data
		X	Increased employee involvement in performance planning and assessment	Perceived involvement	Attitude survey/focus groups
				Internal procedures	Performance plans, strategic plans
					Personnel regulations
	X		Improved deployment of employees with appropriate competencies	Management perceptions of quality of candidates	Attitude survey
X			Increased flexibility to assign employees based on dual career ladder concept	Assignment flexibility	Focus groups, attitude surveys
X			Improved internal mobility/ rotation	Perceived internal mobility	Workforce data
				Supervisory/non-supervisory ratios	Attitude survey

[a] X = Applicable to this approach.

[b] Over the three-year term of the pilot study, providing that it is a virtual exercise, there are not expected to be any appeals.

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Annex III

Terms of reference for the Working Group on the Mobility and Hardship Scheme

1. The General Assembly has on several occasions expressed its concern at the financial implications of the increases in the cost of entitlements in the mobility and hardship scheme that are automatically adjusted under the annual adjustment procedure applied to the base/floor salary scale. In response to these concerns, the Commission has reviewed the scheme on a number of occasions. In the context of the reform of pay and benefits, the Commission has initiated a comprehensive review of the mobility and hardship scheme to fulfil the following objectives:

(a) Ensure the recruitment and retention of suitably qualified staff from all Member States;

(b) Foster a culture of mobility within the organizations that puts the right person in the right place at the right time;

(c) Respond to the organizations' differing mobility requirements, i.e., the scheme should make it possible for certain organizations to reassign staff from their headquarters to field locations and for those with high rotation rates to continue to reassign their staff between duty stations throughout the course of their careers. At the same time, it should be structured in such a way as to ensure a reasonable balance between the emoluments of highly mobile staff and those of less mobile staff;

(d) Simplify the design of the package.

2. The Commission decided, at its fifty-ninth session, to separate mobility from hardship, to delink both the mobility and the hardship allowance from the base/floor salary scale and to defer implementation until a new system has been put in place. It has furthermore established a working group to follow up this decision by developing options for implementing a new approach to the question of hardship and mobility.

3. The working group is required to make proposals to the Commission on various options for a system that will compensate staff for service at difficult duty stations and will provide incentives for operationally required mobility. In so doing, the working group will examine the current scheme openly and pragmatically in an environment of mutual trust, to ensure the development of the best possible scheme. Such a scheme should take into account:

(a) The programmatic needs of the organizations to encourage overall staff mobility as well as service in hardship locations;

(b) The concerns of executive heads and staff that there should be no erosion in the entitlements of staff since this could negatively affect staff morale, organizational performance and recruitment;

(c) The concerns of Member States at the increasing costs of current entitlements;

(d) The concerns of staff that mobility has dictated that they work in increasingly difficult conditions. The toll this has taken and continues to take on

their lives and those of their families warrants nothing less than fair and just compensation for mobility and hardship.

4. The working group will consist of representatives of the Commission, its secretariat, organizations and staff.

5. The working group will develop and analyse various approaches that:

(a) Outline organizations' needs for the movement of staff;

(b) Define specific arrangements for managing the movement of staff as a result of service in hardship locations, and the movement of staff through directed or voluntary reassignments (e.g., separate arrangements for the mobility element and for the hardship element);

(c) Identify the elements for which payments should be made (e.g., a payment for hardship, a payment for mobility, a payment for relocation, a payment for assignment etc.);

(d) Determine the amounts and modalities for payment for any element and estimate the cost implications of such payments (e.g., linking to a reference point, use of flat rates, one-time payments and periodicity of review);

(e) Recommend procedures for implementation of these arrangements, including periodic review of the factors and methodology for evaluation of conditions of life and work in the field.

6. The working group will create various simulations on the basis of the foregoing guidelines and will report on the findings to the Commission at its sixtieth session.

Annex IV

Recommended maximum admissible expenditures, education grant levels and recommended ceilings for boarding costs

Table 1
Recommended maximum admissible expenditures and education grant levels

Country/currency area	*Maximum admissible level*	*Maximum education grant*
Austria (euro)	15 198	11 399
Belgium (euro)	14 446	10 835
Denmark (krone)	89 010	66 758
France (euro)	10 263	7 697
Germany (euro)	18 993	14 245
Ireland (euro)	10 997	8 248
Italy (euro)	15 316	11 487
Japan (yen)	2 324 131	1 743 098
Netherlands (euro)	15 440	11 580
Spain (euro)	13 762	10 332
Sweden (krona)	100 733	75 550
Switzerland (Swiss francs)	26 868	20 151
United Kingdom (pound sterling)	18 285	13 714
United States dollar inside the United States of America	28 832	21 624
United States dollar outside the United States of America	17 189	12 892

Table 2
Recommended ceilings for boarding costs

Country/currency area	*Normal flat rate for boarding*	*Additional flat rate for boarding (at designated duty stations)*
Austria (euro)	3 392	5 087
Denmark (krone)	23 601	35 401
France (euro)	2 716	4 074
Ireland (euro)	2 755	4 132
Italy (euro)	2 818	4 227
Netherlands (euro)	3 594	5 392
Norway (krone)	18 338	27 507
United Kingdom (pound sterling)	3 181	4 772
Spain (euro)	2 733	4 099
Sweden (krona)	22 569	33 853
United States (dollar)	4 742	7 113
United States dollar area (outside United States)	3 490	5 235

Annex V

Comparison of average net remuneration of United Nations officials in the Professional and higher categories in New York and United States officials in Washington, D.C., by equivalent grades (margin for calendar year 2004)

Grade	Net remuneration (United States dollars)		United Nations/United States ratio (United States, Washington, D.C. = 100)	United Nations/United States ratio adjusted for cost-of-living differential	Weights for calculation of overall ratio[c]
	United Nations[a,b]	United States			
P-1	61 485	44 733	137.4	117.8	0.2
P-2	76 475	57 598	132.8	113.8	5.3
P-3	93 243	70 683	131.9	113.0	20.9
P-4	111 817	87 761	127.4	109.2	32.1
P-5	130 925	102 917	127.2	109.0	27.5
D-1	151 590	118 851	127.5	109.3	10.4
D-2	158 765	122 489	129.6	111.1	3.7
Weighted average ratio before adjustment for New York/Washington, D.C. cost-of-living differential					128.7
New York/Washington, D.C., cost-of-living ratio					116.7
Weighted average ratio, adjusted for cost-of-living difference					110.3

[a] Average United Nations net salaries at dependency level by grade reflecting eight months at multiplier 53.9 and four months at multiplier 59.4 (on the basis of the salary scale in effect from 1 January 2003).

[b] For the calculation of the average United Nations salaries, CCAQ Personnel Statistics as at 31 December 2000 were used.

[c] These weights correspond to the United Nations common system staff in grades P-1 to D-2, inclusive, serving at Headquarters and established offices as at 31 December 2000.

Annex VI

Salary scale for staff in the Professional and higher categories: annual gross salaries and net equivalents after application of staff assessment

(In US dollars — effective 1 January 2005)

Level		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
USG	**Gross**	**189 952**														
	Net D	127 970														
	Net S	115 166														
ASG	**Gross**	**172 860**														
	Net D	117 373														
	Net S	106 285														
D-2	**Gross**	**141 974**	**145 065**	**148 156**	**151 248**	**154 340**	**157 431**									
	Net D	98 224	100 140	102 057	103 974	105 891	107 807									
	Net S	90 236	91 854	93 466	95 072	96 674	98 269									
D-1	**Gross**	**129 405**	**132 119**	**134 832**	**137 547**	**140 261**	**142 974**	**145 689**	**148 403**	**151 116**						
	Net D	90 431	92 114	93 796	95 479	97 162	98 844	100 527	102 210	103 892						
	Net S	83 587	85 050	86 509	87 965	89 418	90 867	92 312	93 755	95 194						
P-5	**Gross**	**106 368**	**108 679**	**110 987**	**113 295**	**115 605**	**117 913**	**120 223**	**122 532**	**124 842**	**127 150**	**129 458**	**131 768**	**134 077**		
	Net D	76 148	77 581	79 012	80 443	81 875	83 306	84 738	86 170	87 602	89 033	90 464	91 896	93 328		
	Net S	70 742	72 014	73 282	74 550	75 815	77 077	78 338	79 596	80 852	82 106	83 358	84 607	85 855		
P-4	**Gross**	**86 211**	**88 303**	**90 423**	**92 650**	**94 879**	**97 106**	**99 335**	**101 563**	**103 792**	**106 018**	**108 247**	**110 474**	**112 703**	**114 931**	**117 160**
	Net D	63 499	64 880	66 262	67 643	69 025	70 406	71 788	73 169	74 551	75 931	77 313	78 694	80 076	81 457	82 839
	Net S	59 132	60 390	61 647	62 901	64 155	65 407	66 659	67 909	69 157	70 405	71 651	72 896	74 140	75 383	76 625
P-3	**Gross**	**69 779**	**71 715**	**73 656**	**75 589**	**77 530**	**79 467**	**81 402**	**83 342**	**85 280**	**87 217**	**89 156**	**91 161**	**93 226**	**95 287**	**97 350**
	Net D	52 654	53 932	55 213	56 489	57 770	59 048	60 325	61 606	62 885	64 163	65 443	66 720	68 000	69 278	70 557
	Net S	49 149	50 325	51 503	52 678	53 856	55 030	56 206	57 383	58 558	59 734	60 906	62 079	63 250	64 422	65 594
P-2	**Gross**	**56 465**	**58 056**	**59 643**	**61 344**	**63 077**	**64 809**	**66 542**	**68 273**	**70 008**	**71 742**	**73 473**	**75 209**			
	Net D	43 655	44 800	45 943	47 087	48 231	49 374	50 518	51 660	52 805	53 950	55 092	56 238			
	Net S	40 947	41 985	43 020	44 057	45 092	46 130	47 184	48 234	49 289	50 341	51 392	52 447			
P-1	**Gross**	**43 831**	**45 358**	**46 883**	**48 413**	**49 938**	**51 464**	**52 992**	**54 519**	**56 043**	**57 571**					
	Net D	34 558	35 658	36 756	37 857	38 955	40 054	41 154	42 254	43 351	44 451					
	Net S	32 599	33 612	34 625	35 638	36 650	37 662	38 676	39 676	40 672	41 668					

Annex VII

Recommended net salary scale for staff in the General Service and related categories at Madrid

(euros per annum)

Survey reference date: 1 April 2004

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
G-1	18 459	18 958	19 457	19 956	20 455	20 954	21 453	21 952	22 451	22 950	23 449	23 948
G-2	20 859	21 421	21 983	22 545	23 107	23 669	24 231	24 793	25 355	25 917	26 479	27 041
G-3	23 571	24 207	24 843	25 479	26 115	26 751	27 387	28 023	28 659	29 295	29 931	30 567
G-4	26 635	27 355	28 075	28 795	29 515	30 235	30 955	31 675	32 395	33 115	33 835	34 555
G-5	30 017	30 829	31 641	32 453	33 265	34 077	34 889	35 701	36 513	37 325	38 137	38 949
G-6	33 829	34 742	35 655	36 568	37 481	38 394	39 307	40 220	41 133	42 046	42 959	43 872
G-7	38 125	39 155	40 185	41 215	42 245	43 275	44 305	45 335	46 365	47 395	48 425	49 455